

Page 1	Page 3
<p>1 Saturday, 15 September 2018</p> <p>2 (10.01 am)</p> <p>3 EXPERT EVIDENCE OF PROF JOHN STANLEY</p> <p>4 CHAIRMAN: Good morning, Prof Stanley, and welcome to</p> <p>5 Hong Kong.</p> <p>6 PROF JOHN STANLEY: Thank you, Chairman.</p> <p>7 CHAIRMAN: Thank you for assistance you have already given</p> <p>8 this committee with the two reports that you provided us</p> <p>9 with, and thank you for agreeing to come and give us</p> <p>10 oral evidence so that we can explore the ambit of your</p> <p>11 report, in particular, of course, its relevance to</p> <p>12 Hong Kong, with questions which are going to be posed to</p> <p>13 you, at least in the first place, by counsel Mr Derek</p> <p>14 Chan, and I ask him to begin that questioning.</p> <p>15 Mr Chan.</p> <p>16 Examination by MR DEREK CHAN</p> <p>17 MR DEREK CHAN: Thank you, Mr Chairman.</p> <p>18 Good morning, Mr Stanley. Can I start by asking you</p> <p>19 a few matters by way of background and start by asking</p> <p>20 questions about your own background by going firstly to</p> <p>21 your curriculum vitae which is at page 107 of our expert</p> <p>22 bundle.</p> <p>23 CHAIRMAN: Yes.</p> <p>24 MR DEREK CHAN: We see in your CV that you started your</p> <p>25 career in 1969, and in 1980 to 1999 you were the</p>	<p>1 initiatives in the microeconomic reform in programme in</p> <p>2 Australia to try and improve the productivity, safety</p> <p>3 and environmental performance of road transport in</p> <p>4 Australia. Those responsibilities are in fact state</p> <p>5 government responsibilities, so that the states got</p> <p>6 together with the federal government to set up this</p> <p>7 commission to propose nationally consistent laws for</p> <p>8 everything essentially that happened on top of the road</p> <p>9 system. So that was things like mass limits, it was</p> <p>10 things like driving hour regulations and loading</p> <p>11 regulations and law as well. Fatigue was an important</p> <p>12 part of that, fatigue management.</p> <p>13 Then the Bus Association, I had several roles there.</p> <p>14 I was obviously, in a formal sense, to represent my</p> <p>15 members, of whom there were 500, who held together at</p> <p>16 that time contracts with the state government to a worth</p> <p>17 of around about A\$900 million a year. So I was the</p> <p>18 primary person responsible for negotiating their</p> <p>19 contracts with the state government.</p> <p>20 As part of that process -- and this is a point</p> <p>21 I made in the submissions -- the bus industry receives</p> <p>22 considerable subsidy from the state government in</p> <p>23 Victoria, so a lot of the work I did as executive</p> <p>24 director was on trying to identify the value of public</p> <p>25 transport in general, but buses in particular, to the</p>
Page 2	Page 4
<p>1 principal of John Stanley & Associates Pte Ltd.</p> <p>2 PROF JOHN STANLEY: (Nodded head).</p> <p>3 MR DEREK CHAN: Can you tell us a bit about the work that</p> <p>4 your company did during that period?</p> <p>5 PROF JOHN STANLEY: Yes, Mr Chan. We did a lot of</p> <p>6 consulting/advisory work in particular to governments at</p> <p>7 the federal level in Australia, but also at the state</p> <p>8 level, in particular in the transport space, for example</p> <p>9 the National Road strategy, the Victorian government's</p> <p>10 contribution to projects like that. We have undertaken</p> <p>11 reviews of ports in Tazmania for the Tazmanian</p> <p>12 government, work also for a range of local authorities,</p> <p>13 local councils, about their road systems, not too much</p> <p>14 work to that point about public transport. Until about</p> <p>15 the early 1990s, I was primarily in the road space in</p> <p>16 terms of transport. So I worked for the federal</p> <p>17 government earlier on in that road area and did a lot of</p> <p>18 consulting work around road economics in particular.</p> <p>19 MR DEREK CHAN: And in 1991 to 1999, you were the deputy</p> <p>20 chairman of the National Road Transport Commission, and</p> <p>21 in 1999 to 2008, you were the executive director of the</p> <p>22 Bus Association Victoria.</p> <p>23 Can you tell us a bit about what you did there?</p> <p>24 PROF JOHN STANLEY: Yes. The National Road Transport</p> <p>25 Commission was set up in 1991 as one of the primary</p>	<p>1 Victorian community. So that involved work, for</p> <p>2 example, on trying to look at the role that buses play</p> <p>3 in social inclusion, and in fact I work very closely</p> <p>4 with my wife, Prof Janet Stanley, who is here today</p> <p>5 also, in that area; congestion reduction, the roles that</p> <p>6 buses can play there; the roles that buses can play in</p> <p>7 terms of improved environmental outcomes. These are</p> <p>8 really important positions to develop, in the policy</p> <p>9 sense, when you are going to government, looking for so</p> <p>10 much support.</p> <p>11 We also had a range of businesses that we did in the</p> <p>12 association, and for example one of those businesses</p> <p>13 operated at arm's length is Road Safety Inspections,</p> <p>14 which is the largest bus tester in Victoria, bus testing</p> <p>15 since about the 1980s has in fact been a privatised</p> <p>16 industry in Victoria. The association actually took</p> <p>17 over the state government's previous vehicle inspection</p> <p>18 and testing business, and so we were the biggest bus</p> <p>19 tester and, in fact, remain so today.</p> <p>20 CHAIRMAN: Who are the members of the bus association?</p> <p>21 PROF JOHN STANLEY: Yes, they are essentially operators,</p> <p>22 Chairman, so they are route bus operators in Melbourne</p> <p>23 and regional Victoria, as they are school bus operators.</p> <p>24 In fact, the largest number of them, primarily because</p> <p>25 they tend to have only a small number of vehicles each,</p>

Page 5	Page 7
<p>1 are school bus operators, but they are also charter and</p> <p>2 tour operators. So we cover the whole range of those</p> <p>3 market areas. The largest contract values are far and</p> <p>4 away, though, in the route service area.</p> <p>5 CHAIRMAN: How many such members are there?</p> <p>6 PROF JOHN STANLEY: There were at the time over 500. The</p> <p>7 number has come down a bit since I left them, because</p> <p>8 there's a fair bit of consolidation going on among some</p> <p>9 of the businesses.</p> <p>10 CHAIRMAN: Can you give us an idea of the size of the staff</p> <p>11 of the association?</p> <p>12 PROF JOHN STANLEY: The staff -- the association had 50</p> <p>13 staff when I finished my time, and that included, for</p> <p>14 example, about 10 or 12 staff in the vehicle inspection</p> <p>15 company. We had a range of people employed at the time</p> <p>16 also as ticket inspectors, so we had our own ticket</p> <p>17 inspectors; the state government provided us money to</p> <p>18 employ ticket inspectors to work on buses. We had</p> <p>19 a little marketing group as well and a group who looked</p> <p>20 after member servicing, so they spent a lot of time</p> <p>21 talking to members and looking at contract issues they</p> <p>22 may have had with the government or with the Public</p> <p>23 Transport Victoria, which is the government's</p> <p>24 responsible organisation for programme delivery.</p> <p>25 CHAIRMAN: And who in Victoria are the beneficiaries of the</p>	<p>1 an acceptable length of drive and what kind of rest</p> <p>2 provisions are needed for trucks became really important</p> <p>3 in that process. But buses got vacuumed up in it at the</p> <p>4 same time.</p> <p>5 CHAIRMAN: Was this commission a federal commission?</p> <p>6 PROF JOHN STANLEY: It was a national commission, so it was</p> <p>7 established under federal legislation, but, if you like,</p> <p>8 the people we were responsible reporting to were the</p> <p>9 federal minister and all the state ministers.</p> <p>10 So, Chairman, in my eight years on that board, I had</p> <p>11 45 different ministers that I reported to.</p> <p>12 CHAIRMAN: Thank you.</p> <p>13 MR DEREK CHAN: Professor, in 2008 you became an adjunct</p> <p>14 professor and a Bus Industry Confederation senior</p> <p>15 research fellow in sustainable land transport, Institute</p> <p>16 of Transport and Logistic Studies, the University of</p> <p>17 Sydney.</p> <p>18 Did that post involve touchings in public transport</p> <p>19 or bus-related topics?</p> <p>20 PROF JOHN STANLEY: It involved -- I taught the final unit</p> <p>21 in the masters programme in transport management. The</p> <p>22 institute is one of the top-rated transport institutes</p> <p>23 in the world, and we run a number of master's</p> <p>24 programmes, and at that time I taught the final subject</p> <p>25 that everybody had to do, and then taught transport</p>
Page 6	Page 8
<p>1 fares received by the bus companies?</p> <p>2 PROF JOHN STANLEY: The fares are collected by government</p> <p>3 go to government.</p> <p>4 CHAIRMAN: So this was ticket inspection on behalf of</p> <p>5 government as the recipient of the revenue?</p> <p>6 PROF JOHN STANLEY: Yes.</p> <p>7 CHAIRMAN: Thank you.</p> <p>8 MR DEREK CHAN: Professor, you mentioned, during your role</p> <p>9 in the National Road Transport Commission, you were</p> <p>10 involved in driving hour regulations.</p> <p>11 Did those driving hour regulations relate to heavy</p> <p>12 vehicles?</p> <p>13 PROF JOHN STANLEY: They did. The ambit of responsibility</p> <p>14 of the National Road Transport Commission was vehicles</p> <p>15 of 4.5 tonnes and above, so it was essentially heavy</p> <p>16 vehicles, and the freight side of the business, trucks</p> <p>17 if you like, was much more dominant than bus. So the</p> <p>18 truck agenda tended to dominate the work of the</p> <p>19 commission.</p> <p>20 But in the process, the bus agenda got very much</p> <p>21 linked to it, and one of the major issues in Australia</p> <p>22 at that time was the distance between the major capital</p> <p>23 cities, Melbourne and Sydney, Sydney and Brisbane,</p> <p>24 required, if a truck was going to do it in one sitting,</p> <p>25 fairly long driving hours. So the issue of what is</p>	<p>1 policy as well, and the transport policy involved a lot</p> <p>2 of bus policy work.</p> <p>3 MR DEREK CHAN: And, in 2012 to 2016, you were a member of</p> <p>4 the Ministerial Advisory Council advising Victoria's</p> <p>5 planning ministers in two governments on long-term</p> <p>6 Melbourne metropolitan planning strategy. I assume that</p> <p>7 involved transport planning as well?</p> <p>8 PROF JOHN STANLEY: Not as much as it should have. The main</p> <p>9 focus in that work was in fact on land use planning.</p> <p>10 The intention -- and in fact this is mentioned also in</p> <p>11 the first report I did -- we had a 2010 Transport</p> <p>12 Integration Act in Victoria that requires government to</p> <p>13 produce an integrated land use transport plan. Six of</p> <p>14 us were appointed by the planning minister to form</p> <p>15 a ministerial advisory council and advise him on what</p> <p>16 Victoria's long-term land use plan should be, and that</p> <p>17 included some work on transport strategy. I have to say</p> <p>18 I tried to write a transport strategy in that, but it</p> <p>19 was taken out three times, so for some reason the</p> <p>20 government did not want to include a transport strategy</p> <p>21 within the long-term land use planning strategy. There</p> <p>22 was a change in government in the middle of that period,</p> <p>23 and the new government appointed us again to continue</p> <p>24 doing our work.</p> <p>25 MR DEREK CHAN: You list out a number of directorships at</p>

Page 9	Page 11
<p>1 the bottom of page 107.</p> <p>2 PROF JOHN STANLEY: Yes.</p> <p>3 MR DEREK CHAN: Can you please tell us which one of these</p> <p>4 directorships are relevant to transport or bus policies?</p> <p>5 PROF JOHN STANLEY: Yes. The work -- when I was</p> <p>6 Commissioner of the Victorian State Services Authority,</p> <p>7 the government of Victoria gave me that appointment to</p> <p>8 look at the governance arrangements in land transport</p> <p>9 between roads and public transport. So I produced</p> <p>10 a report for the government, recommending new governance</p> <p>11 arrangements between public transport and the road</p> <p>12 authority at that time.</p> <p>13 Metlink was the public transport marketing body for</p> <p>14 Victoria's tram, train and bus systems, at the time that</p> <p>15 I was in that role there. So we produced system-level</p> <p>16 marketing campaigns to promote, if you like, the brand</p> <p>17 of public transport, and the individual operators did</p> <p>18 their own campaigns as well.</p> <p>19 At that same time, I was on the board of the public</p> <p>20 transport ombudsman representing bus, where complaints</p> <p>21 from dissatisfied customers, if they are not adequately</p> <p>22 dealt with by the operators, get sent to the ombudsman.</p> <p>23 So there was a role there as well. And --</p> <p>24 MR DEREK CHAN: Excuse me, how long were you in that role as</p> <p>25 public transport ombudsman?</p>	<p>1 journals, books or book chapters, in which you have</p> <p>2 written or contributed towards. I don't intend to go</p> <p>3 through all of them, because there are quite a few, but</p> <p>4 can you perhaps point out a few as examples that relate</p> <p>5 to bus policies?</p> <p>6 PROF JOHN STANLEY: Sure. If you look -- there are mainly</p> <p>7 two or three particular topic areas. The first one is</p> <p>8 a number of papers there are around, for example, the</p> <p>9 value of public transport. So the book that Prof Janet</p> <p>10 Stanley and I wrote with Prof Hanson came out about</p> <p>11 a year or two ago, which is called "How Great Cities</p> <p>12 Happen", which is "2017 books", that includes quite</p> <p>13 a lot in it about public transport and the role that</p> <p>14 public transport can play.</p> <p>15 The issue of -- the next paper that appears under</p> <p>16 that, "Getting the Prices Right", which is here, also</p> <p>17 includes work on public transport policy.</p> <p>18 If you scroll down further, you will see reports for</p> <p>19 2017, "Moving People: Solutions for Policy Thinkers --</p> <p>20 Improved public transport services supporting city</p> <p>21 productivity growth". We have done quite a lot of</p> <p>22 research on what role does public transport play in</p> <p>23 enabling a city to be productive. So there are a number</p> <p>24 of papers through here in that particular topic.</p> <p>25 The journal articles: 2016, Stanley J and Levinson,</p>
Page 10	Page 12
<p>1 PROF JOHN STANLEY: I'm guessing a bit, but I think about</p> <p>2 four years.</p> <p>3 MR DEREK CHAN: Between which years, approximately?</p> <p>4 PROF JOHN STANLEY: Between about 2000 -- sorry, 2008 it</p> <p>5 would have finished, so 2004 to 2008.</p> <p>6 MR DEREK CHAN: Sorry, I interrupted you; please continue.</p> <p>7 PROF JOHN STANLEY: That's okay. I'm currently on the board</p> <p>8 of Road Safety Inspections, which as I indicated earlier</p> <p>9 is a bus testing company which is run at arm's length</p> <p>10 from the Bus Association to conduct the annual</p> <p>11 inspection that all heavy vehicles, or buses in</p> <p>12 particular, have to go through. We do about 5,000 of</p> <p>13 those inspections a year, which is around about</p> <p>14 75 per cent of the relevant bus fleet in Australia.</p> <p>15 CHAIRMAN: Is that in respect of the mechanical side of</p> <p>16 buses?</p> <p>17 PROF JOHN STANLEY: It is, Chairman.</p> <p>18 MR DEREK CHAN: How long have you been a board member of</p> <p>19 that company?</p> <p>20 PROF JOHN STANLEY: That would be about seven years.</p> <p>21 MR DEREK CHAN: Seven years counting from today, counting</p> <p>22 back from today?</p> <p>23 PROF JOHN STANLEY: Yes.</p> <p>24 MR DEREK CHAN: Just going to page 108, where you list out</p> <p>25 across several pages a number of reports, articles,</p>	<p>1 "Workshop 3 report: Sustainable funding sources" -- this</p> <p>2 is a report of a workshop from a conference that was</p> <p>3 held about three years ago, a conference series called</p> <p>4 the Thredbo conference series which is held every second</p> <p>5 year internationally, and the main topic of that</p> <p>6 conference is competition and regulation in public</p> <p>7 transport. I'm a member of a group of about eight who</p> <p>8 chair workshops as part of that conference series. So</p> <p>9 that particular workshop, and in fact another one that</p> <p>10 I've just published an article that will be available in</p> <p>11 the next couple of weeks, looks at what are the benefits</p> <p>12 of public transport and how can you turn those benefits</p> <p>13 into monetary flows to help fund services. So there are</p> <p>14 quite a few services in that particular space.</p> <p>15 Two underneath that, you will see, "Moving People:</p> <p>16 Solutions for Policy Thinkers -- National Guidelines:</p> <p>17 Bus services procurement and bus service contracts".</p> <p>18 That is a paper that explores in some depth the sorts of</p> <p>19 issues involved in deciding on bus contracting regimes.</p> <p>20 It talks about questions, for example, of competitive</p> <p>21 tendering versus negotiation, which one of the issues</p> <p>22 I referred to in the report. It looks at things like</p> <p>23 contract length, KPIs that you might see in contracts as</p> <p>24 well.</p> <p>25 The next one, "Equity in Transport", focuses very</p>

Page 13	Page 15
<p>1 much on the role that public transport plays in social 2 inclusion in contributing to a fairer society.</p> <p>3 If we continue going on down, the next one, 4 "Reports", 2015, at the top of the page, "Moving People: 5 Solutions for Policy Thinkers -- Connecting 6 Neighbourhoods". One of the ideas that we came up in 7 the land use strategy work for Melbourne was trying to 8 shape the city in such a way that everybody could live 9 within 20 minutes' access to most of the things you need 10 for a good life by walking, cycling or public transport. 11 We are a very car-dependent city. This was is about to 12 try to reshape the land use in the city to enable public 13 transport to play a bigger role.</p> <p>14 The next paper talks about the role of public 15 transport, in particular in promoting better development 16 densities in middle suburbs of Australian cities. The 17 report after that looks at governance arrangements which 18 includes how you integrate transport and land use in the 19 government sense.</p> <p>20 In 2014, my book called, "Introduction to Transport 21 Policy", has quite an extensive discussion of public 22 transport issues in that.</p> <p>23 MR DEREK CHAN: Perhaps can I summarise in this way: many of 24 the articles concern issues of policy? 25 PROF JOHN STANLEY: Particularly policy, but policy has been</p>	<p>1 arrangements, to maximise that value.</p> <p>2 MR DEREK CHAN: And I think you have fairly stated in your 3 second report, at the start of it -- perhaps I will just 4 give the reference to the committee. That's page 56 of 5 the expert bundle.</p> <p>6 CHAIRMAN: Yes.</p> <p>7 MR DEREK CHAN: Mr Chairman, I'm looking at page 56, about 8 the third full paragraph down, so that's just past the 9 middle of the page.</p> <p>10 Professor, you have fairly accepted there that you 11 are not an expert in bus operation, but have expertise 12 in matters to do with the institutional --</p> <p>13 CHAIRMAN: Would you read out what you are referring to?</p> <p>14 MR DEREK CHAN: I'm sorry, I'm reading from --</p> <p>15 CHAIRMAN: Just read out the relevant part.</p> <p>16 MR DEREK CHAN: Yes. You say, at this part of your report, 17 that you are not an expert in bus operation but have 18 expertise in matters to do with the institutional 19 environment within which bus operates and how this can 20 impact performance.</p> <p>21 PROF JOHN STANLEY: Yes, Mr Chan.</p> <p>22 CHAIRMAN: Thank you.</p> <p>23 MR DEREK CHAN: Thank you, Professor. Unless you've got 24 anything to add to the background employment, I will 25 next introduce the background of the brief, which you</p>
Page 14	Page 16
<p>1 my main focus, and strategic planning to help implement 2 that policy.</p> <p>3 MR DEREK CHAN: Having regard to your background, the 4 various posts that you have had, the articles that you 5 have written and the research that you have done, how 6 would you describe your area of expertise?</p> <p>7 PROF JOHN STANLEY: In terms of the subject matter of this 8 particular hearing --</p> <p>9 MR DEREK CHAN: Yes.</p> <p>10 PROF JOHN STANLEY: -- I think the expertise I would most 11 bring to this question is issues of public transport 12 governance and policy in a context of governance for 13 integrated urban planning and transport planning, so 14 it's really positioning public transport in a wider 15 setting.</p> <p>16 Then, when you think about bus, it's really 17 governance and institutional arrangements with respect 18 to bus service delivery and planning for that delivery 19 and policy arrangements that are going to make it happen 20 to enable bus, if you like, to best achieve the goals 21 that government has for society. That's really the 22 level I tend to operate, rather than vehicle operations. 23 It's really the role that these modes play in terms of 24 delivering value for society and how can you set up your 25 governance arrangements, your institutional</p>	<p>1 had been provided with, in writing these two reports.</p> <p>2 PROF JOHN STANLEY: Thank you.</p> <p>3 MR DEREK CHAN: For that purpose, can I please take you to 4 the expert bundle at page 4 where -- it's on the 5 screen -- at the second full paragraph of page 4, you 6 set out the task with which you have been provided in 7 writing these two reports.</p> <p>8 In the first bullet point, you were asked to 9 describe the operations and management of the bus system 10 in Melbourne together with the regulatory and governance 11 arrangements, in particular with regard to the 12 monitoring of bus safety. So that's the first task, and 13 I believe that's covered by your first report which has 14 been included in the expert bundle.</p> <p>15 In the second bullet point, you were asked: 16 "Having been provided with such information about 17 the franchised bus services of Hong Kong, if so 18 required, to summarise the system and, having regard to 19 the bus system in Melbourne, give an opinion of the 20 adequacy of the regulatory and monitoring systems in 21 Hong Kong, making recommendations as to any changes to 22 those systems, as in your opinion, are warranted to 23 enhance the safety of the franchised bus system in 24 Hong Kong". 25 I believe that's included in your second report,</p>

Page 17	Page 19
<p>1 which has also been included in this bundle.</p> <p>2 PROF JOHN STANLEY: Yes, Mr Chan.</p> <p>3 MR DEREK CHAN: Can I start then with some simple practical</p> <p>4 comparisons between the bus system in Melbourne and the</p> <p>5 bus system in Hong Kong. Can I perhaps start with</p> <p>6 page 5 of that same report, in the same expert bundle.</p> <p>7 The first point of difference is the population of</p> <p>8 Melbourne and Hong Kong. I can see that you state in</p> <p>9 the first paragraph of page 5 that Melbourne has</p> <p>10 a population of 4.8 million in 2017, and in the second</p> <p>11 paragraph you say that Melbourne is a relatively</p> <p>12 low-density city.</p> <p>13 Do I understand that to mean there's a metropolitan</p> <p>14 area and a large suburban area?</p> <p>15 PROF JOHN STANLEY: We would call the whole lot</p> <p>16 a metropolitan area. The function of the outer parts is</p> <p>17 very suburban, yes.</p> <p>18 MR DEREK CHAN: And in terms of annual bus trips in</p> <p>19 Melbourne, we can pick that up at the fourth full</p> <p>20 paragraph of that page, that's towards the bottom of the</p> <p>21 page, where you say this:</p> <p>22 "Victorian government budget papers ... indicate</p> <p>23 that Melbourne's trains currently have around</p> <p>24 240 million passenger boardings annually, trams</p> <p>25 205 million and buses 120 million, giving a total ...</p>	<p>1 MR DEREK CHAN: At page 58 of the bundle, which is the start</p> <p>2 of your second report, in the middle of the first</p> <p>3 paragraph, you say:</p> <p>4 "The Hong Kong Public Transport Strategy Study --</p> <p>5 July 2017 ... describes the role performed by each</p> <p>6 public transport mode within the public transport system</p> <p>7 and the passenger tasks involved. It notes that the</p> <p>8 public transport system caters for 12 million passenger</p> <p>9 trips daily, of which franchised bus services carry just</p> <p>10 over 4 million ..."</p> <p>11 And that's per day.</p> <p>12 Mr Chairman, I will give the committee another</p> <p>13 reference a bit later, but 4 million times daily for</p> <p>14 a year would be about 1.4 billion trips annually.</p> <p>15 CHAIRMAN: Thank you.</p> <p>16 MR DEREK CHAN: Professor, roughly how many buses are</p> <p>17 operating in Melbourne?</p> <p>18 PROF JOHN STANLEY: About 1,700 as part of the route</p> <p>19 service.</p> <p>20 CHAIRMAN: How is the term "route service" defined?</p> <p>21 PROF JOHN STANLEY: These are contracted services that</p> <p>22 provide regular, scheduled -- daily, essentially --</p> <p>23 service that's determined by the state government and</p> <p>24 laid down in the operator's contract.</p> <p>25 CHAIRMAN: Thank you.</p>
Page 18	Page 20
<p>1 metropolitan public transport task of about 565 million</p> <p>2 annual boardings."</p> <p>3 So the bus takes up about 21 per cent of public</p> <p>4 transport trips annually.</p> <p>5 PROF JOHN STANLEY: Yes.</p> <p>6 MR DEREK CHAN: I think, just to put that figure by way of</p> <p>7 contrast to the Hong Kong context, we have about</p> <p>8 1.4 billion annual bus trips.?</p> <p>9 PROF JOHN STANLEY: About one month. Melbourne is about one</p> <p>10 month of Hong Kong.</p> <p>11 CHAIRMAN: Where do we get the 1.4 billion figure from,</p> <p>12 Mr Chan?</p> <p>13 MR DEREK CHAN: That's from the aggregate figures provided</p> <p>14 by the Transport Department.</p> <p>15 CHAIRMAN: In which submission?</p> <p>16 MR DEREK CHAN: Perhaps I will come back to the committee</p> <p>17 with a reference for that figure.</p> <p>18 CHAIRMAN: Thank you.</p> <p>19 MR DEREK CHAN: Perhaps a quick reference to that would be</p> <p>20 at page 58 of the expert bundle, which is the first part</p> <p>21 of your second report.</p> <p>22 It may be convenient, Professor, to have the expert</p> <p>23 bundle in front of you, because I will be going to it</p> <p>24 repeatedly, basically nonstop throughout the day.</p> <p>25 PROF JOHN STANLEY: I have a very good helper here.</p>	<p>1 MR DEREK CHAN: So it would not include school buses,</p> <p>2 coaches --</p> <p>3 PROF JOHN STANLEY: It doesn't include coaches and it</p> <p>4 doesn't include dedicated school buses, but</p> <p>5 schoolchildren often travel on the route services.</p> <p>6 MR DEREK CHAN: Yes. Just by way of general comparison, can</p> <p>7 I then talk about the contractual framework under which</p> <p>8 the Melbourne buses operate, to contrast that with</p> <p>9 Hong Kong. For that, can I please take you to page 7 of</p> <p>10 the expert bundle. The third full paragraph of the</p> <p>11 page, which is close to the bottom, you say there:</p> <p>12 "Current route bus services in Melbourne are a mix</p> <p>13 of competitively tendered services (about a third of the</p> <p>14 network) and negotiated services, the former being the</p> <p>15 previously government-provided services and the latter</p> <p>16 those started by private operators (including</p> <p>17 extensions/additions to those services).?"</p> <p>18 PROF JOHN STANLEY: Correct, Mr Chan. There's also, in the</p> <p>19 services that are competitively tendered, an element</p> <p>20 which is called the SmartBus system, which is a system</p> <p>21 of a couple of circumferential services that provide</p> <p>22 long-distance trunk services around the middle suburbs</p> <p>23 of Melbourne. So they are also part of the tendered</p> <p>24 regime, but they are a small part of it.</p> <p>25 MR DEREK CHAN: Right. So I take it a third of the</p>

Page 21	Page 23
<p>1 contracts are competitively tendered and two-thirds of 2 the contracts are negotiated services? 3 PROF JOHN STANLEY: No, it's not contracts. There's 4 actually one contract that's competitively tendered. 5 That's about a third of the task. 6 MR DEREK CHAN: Perhaps you can give us a very general 7 description of how that competitive tender process 8 works.? 9 PROF JOHN STANLEY: Yes, sure. I have to say, as 10 an introduction to this, that I was not part of that 11 competitive tendering process, so I don't know the 12 contract in detail. The roles that I've had in contract 13 negotiation in detail have been the negotiated 14 contracts, which are the two-thirds rather than the 15 one-third. 16 However, the general process, as you ask for, is 17 that the government would invite people to express 18 interest in submitting a tender for a service, and the 19 government would nominate what it was looking for in 20 terms of those services, the kinds of routes that are 21 going to be involved, the frequency, if you like. It 22 would lay down the timetable and invite operators to put 23 in a price that they would require in terms of, if I use 24 the word, subsidy, to provide those services. So then 25 it becomes a case of the operators who are bidding,</p>	<p>1 it could be a couple of hundred or more. But it's 2 essentially area-based. 3 CHAIRMAN: And over what period of time is the franchise, if 4 one uses that term, awarded? 5 PROF JOHN STANLEY: Yes, they are mostly seven years. The 6 negotiated contracts have been ten; they come back to 7 seven under the new contracts that are starting in 8 about -- 9 CHAIRMAN: So the government offers one contract. Does it 10 receive multiple bids and then accept multiple bus 11 operators, or does it -- 12 PROF JOHN STANLEY: Just a single operator, Chairman. 13 CHAIRMAN: Single? 14 PROF JOHN STANLEY: Yes. 15 MEMBER LO: What is the difference between negotiated and 16 tendered? Who negotiates with whom and how? 17 PROF JOHN STANLEY: Yes. The negotiated contracts 18 essentially relate to services that were started by the 19 private sector, often 50, 60, 70 years ago, and for 20 a long time ran out of the fare box, as yours still do, 21 but in around about 1970 that ceased, and there was 22 a requirement for service subsidies to come in at that 23 time. 24 There has been negotiation, though, between the 25 operator, at the start of those services, and government</p>
Page 22	Page 24
<p>1 bidding, if you like, the lowest price to government. 2 Now, government may also take things other than 3 price into account. It might take what it thinks is the 4 operator's capacity to provide a good service into 5 account as well. But that's essentially a bid to run 6 a series of services across a spatial area. So they are 7 essentially area-based services, apart from those couple 8 of circumferential trunk route services that I talked 9 about. 10 CHAIRMAN: Apart from the routes, presumably the government 11 would stipulate the schedule that it wishes the service 12 to be provided? 13 PROF JOHN STANLEY: Yes, Chairman. Frequency, the headways, 14 and so on, and start/finish times, yes. 15 And then government gets the fare revenue and the 16 government assumes profit risk but -- 17 CHAIRMAN: Before we move on to that detail, perhaps I could 18 ask this: how many routes are tendered on how many 19 different occasions? 20 PROF JOHN STANLEY: Only one tender, and that's for a large 21 number of routes together. So it's in fact a franchise 22 area, if you like, a contract area, and all the routes 23 that are in that area. So it's a fairly large chunk of 24 Melbourne, given it's one-third of the routes in total. 25 I wouldn't know the absolute number of routes involved,</p>	<p>1 to continue providing those services throughout the 2 process. Now, government at one stage tried to take on 3 the operators who have those negotiated contracts and 4 put their services out to competitive tender. That 5 ended up in the Australian Federal Court and the 6 operators actually won, probably more to do with 7 an issue of legal detail than much else. 8 But negotiation is still the way those contracts are 9 dealt with, but each time they are dealt with, the 10 contract is silent about what will happen at the end of 11 the contract period. So the next lot of contracts that 12 have just started now are seven-year contracts, they are 13 silent. Then what happens at the end of that seven-year 14 period, the industry could confidently believe they 15 would sit down for another negotiation. The government 16 probably wouldn't agree with that. 17 MEMBER LO: So the negotiation would involve changing the 18 operator at the end or not? 19 PROF JOHN STANLEY: No. It essentially involves determining 20 a price to provide those services, and agreeing on, for 21 example, key performance indicators that will lead to 22 incentive and penalty clauses that will be in those 23 contracts. Also things like driver training is 24 a provision of those contracts as well. 25 CHAIRMAN: When you say the essential factor being</p>

Page 25	Page 27
<p>1 negotiated is price, that is the price that the</p> <p>2 government will pay the bus company to run the service,</p> <p>3 the subsidy?</p> <p>4 PROF JOHN STANLEY: Yes, correct. Essentially, it's the</p> <p>5 total cost of the service. The government actually pays</p> <p>6 the total cost to the operator --</p> <p>7 CHAIRMAN: Because the government keeps the revenue in the</p> <p>8 fare box?</p> <p>9 PROF JOHN STANLEY: Correct. So there's a process that's</p> <p>10 gone through which actually involves benchmarking, quite</p> <p>11 detailed benchmarking, of operator costs across all the</p> <p>12 operators, to try and identify, if you like, whether</p> <p>13 there are outliers in some particular areas, whether</p> <p>14 particular operators are low-cost or very high-cost.</p> <p>15 That leads to a discussion about what would be</p> <p>16 a reasonable band for those costs to fall within, and</p> <p>17 operators sometimes have their remuneration reduced</p> <p>18 because they look like they are too expensive relative</p> <p>19 to their peers.</p> <p>20 CHAIRMAN: Are there occasions when agreement is not reached</p> <p>21 with the incumbent operator and the service then is</p> <p>22 offered to other operators or not?</p> <p>23 PROF JOHN STANLEY: I'm not aware of any such instances so</p> <p>24 far, Chairman.</p> <p>25 CHAIRMAN: And this is a system that has been developed</p>	<p>1 MR DEREK CHAN: So the competitive tendering process</p> <p>2 actually resulted in a change in the operator?</p> <p>3 PROF JOHN STANLEY: Indeed.</p> <p>4 CHAIRMAN: You describe Transdev as being a French company.</p> <p>5 PROF JOHN STANLEY: Yes.</p> <p>6 CHAIRMAN: Do they operate bus services elsewhere in the</p> <p>7 world?</p> <p>8 PROF JOHN STANLEY: Yes, a huge number in France, Chairman,</p> <p>9 and they also I think operate services in other parts of</p> <p>10 Australia as well.</p> <p>11 MR DEREK CHAN: We have talked about one change in operator.</p> <p>12 Have there been many changes -- talking about the</p> <p>13 competitive tendering part -- in the operators?</p> <p>14 PROF JOHN STANLEY: There have. If I can just go back. In</p> <p>15 about 1998, I think Melbourne was the first city in the</p> <p>16 world to privatise its train service. In fact we put</p> <p>17 the train, tram and the competitive one-third of bus</p> <p>18 routes that I've talked about before -- they all got put</p> <p>19 out for tender at the same time. There were two tenders</p> <p>20 let for train, two for tram, and one for bus. One</p> <p>21 British company called National Express, one of the</p> <p>22 train contracts, one of the tram contracts and the bus</p> <p>23 contract, they surrendered that contract within about</p> <p>24 three years, so that contract changed at that time, and</p> <p>25 the holder of the other train and tram contract then got</p>
Page 26	Page 28
<p>1 since the 1970s?</p> <p>2 PROF JOHN STANLEY: Well, there's been a subsidy since the</p> <p>3 1970s. The focus on the negotiated contracts, probably</p> <p>4 30 or 40 years. I'm not aware of the history of the</p> <p>5 1970/early 1980s period, but it's certainly been going</p> <p>6 since the early 1980s, the way I've described it to you.</p> <p>7 CHAIRMAN: Thank you.</p> <p>8 MR DEREK CHAN: In terms of the competitive tendering</p> <p>9 contractor, who is the current bus operator in Melbourne</p> <p>10 that won the competitive tendering?</p> <p>11 PROF JOHN STANLEY: It will come to me. Just give me --</p> <p>12 Transdev, which is a French company.</p> <p>13 CHAIRMAN: Could you spell that for me?</p> <p>14 PROF JOHN STANLEY: T-R-A-N-S-D-E-V.</p> <p>15 MR DEREK CHAN: And how long has that operator been</p> <p>16 operating the competitive tender part of the system, bus</p> <p>17 system?</p> <p>18 PROF JOHN STANLEY: They have -- they have held it once. So</p> <p>19 the contract was held by another company before that,</p> <p>20 called Ventura.</p> <p>21 MR DEREK CHAN: Can you spell that as well?</p> <p>22 PROF JOHN STANLEY: V-E-N-T-U-R-A, was the previous holder</p> <p>23 of the competitive contract, then Transdev won the</p> <p>24 tender the last time that came around, and I think that</p> <p>25 comes up again in the next 12 or 18 months.</p>	<p>1 full train and tram service at that time.</p> <p>2 So we have had two changes in the operators.</p> <p>3 CHAIRMAN: So who got the bus contract in 1998?</p> <p>4 PROF JOHN STANLEY: That was National Express. They won</p> <p>5 that contract in 1998.</p> <p>6 CHAIRMAN: Was that a seven-year contract?</p> <p>7 PROF JOHN STANLEY: I don't remember, Chairman.</p> <p>8 CHAIRMAN: Was Ventura the successor?</p> <p>9 PROF JOHN STANLEY: I would need to come back to you on</p> <p>10 that, what time they took on that contract.</p> <p>11 CHAIRMAN: So you have identified for us three different</p> <p>12 contractors for the bus tender.</p> <p>13 PROF JOHN STANLEY: Yes.</p> <p>14 CHAIRMAN: Transdev, Ventura and National Express?</p> <p>15 PROF JOHN STANLEY: Correct.</p> <p>16 CHAIRMAN: Might there be a fourth?</p> <p>17 PROF JOHN STANLEY: There might be something between</p> <p>18 National Express and Ventura, which probably was other</p> <p>19 operators taking over those services after National</p> <p>20 Express fell through until it could be reconstituted for</p> <p>21 a tender. But I will come back to you on that.</p> <p>22 CHAIRMAN: Yes, if you could.</p> <p>23 Am I understanding you correctly to say that</p> <p>24 National Express services didn't run the length of the</p> <p>25 contract; they fell out prematurely, is that the point?</p>

Page 29	<p>1 PROF JOHN STANLEY: Yes, indeed. I think --</p> <p>2 CHAIRMAN: Then someone took over?</p> <p>3 PROF JOHN STANLEY: Yes, correct. I think there was</p> <p>4 a feeling that -- and we will probably come to this</p> <p>5 later, Mr Chan -- one of the challenges of competitive</p> <p>6 tendering is that sometimes it encourages operators to</p> <p>7 go in too low with their bid, perhaps hoping they can</p> <p>8 encourage government to negotiate the price upwards</p> <p>9 later on. In the case of the National Express rail</p> <p>10 one -- one of my papers I wrote earlier on was about</p> <p>11 this situation -- they did have one upward negotiation</p> <p>12 in their remuneration with government, but only one, and</p> <p>13 that's when they decided that they weren't going to</p> <p>14 continue.</p> <p>15 CHAIRMAN: But all events -- as far as the bus contract was</p> <p>16 concerned, there was no successful negotiation that</p> <p>17 resulted in National Express staying on?</p> <p>18 PROF JOHN STANLEY: No.</p> <p>19 CHAIRMAN: They pulled out of the contract?</p> <p>20 PROF JOHN STANLEY: Yes.</p> <p>21 CHAIRMAN: Thank you.</p> <p>22 MR DEREK CHAN: Mr Chairman, in relation to the reference</p> <p>23 for the 4 million bus trips per day in Hong Kong, which</p> <p>24 works out to about 1.4 billion bus trips per year.</p> <p>25 CHAIRMAN: Yes.</p>	Page 31
Page 30	<p>1 MR DEREK CHAN: That would be at THB-2 at page 103.</p> <p>2 CHAIRMAN: Thank you.</p> <p>3 MR DEREK CHAN: That's a figure as of December 2017.</p> <p>4 Professor, that's the competitive tendering side of</p> <p>5 it.</p> <p>6 Can I then move briefly to the negotiated contract.</p> <p>7 CHAIRMAN: Before we leave the competitive tendering side of</p> <p>8 it, what are the key features of the competitive</p> <p>9 tendering contract?</p> <p>10 PROF JOHN STANLEY: I think it's to do with incentive and</p> <p>11 penalty clauses, but as I said, Chairman, I wasn't part</p> <p>12 of that negotiation process, so I can't express</p> <p>13 an opinion on the detail of what those incentive and</p> <p>14 penalty clauses are.</p> <p>15 CHAIRMAN: Are these documents not made public?</p> <p>16 PROF JOHN STANLEY: They tend to be heavily redacted when</p> <p>17 they are.</p> <p>18 MR DEREK CHAN: So you can't say, or can you, whether those</p> <p>19 penalty and incentive clauses are related to safety</p> <p>20 performance or not?</p> <p>21 PROF JOHN STANLEY: I would expect that they aren't.</p> <p>22 I think it's pretty unusual to have incentive and</p> <p>23 penalty clauses that relate to safety. That's</p> <p>24 unfortunate, but they aren't in an Australian setting,</p> <p>25 to the best of my knowledge, in the operator, certainly</p>	Page 32
	<p>1 not in Victoria, clauses that relate safety as one of</p> <p>2 the incentive/penalty components.</p> <p>3 MR DEREK CHAN: So I assume it would relate to performance</p> <p>4 indicators more than specific --</p> <p>5 PROF JOHN STANLEY: They very much seem to relate to</p> <p>6 operational performance, things like on-time running,</p> <p>7 service cancellations, they tend to be where most of the</p> <p>8 public transport systems around the world put their</p> <p>9 focus, sometimes also on customer satisfaction survey</p> <p>10 results, what customers think of the services. They</p> <p>11 tend to be the elements you see in those incentive and</p> <p>12 penalty clauses.</p> <p>13 MR DEREK CHAN: Sorry, I think I might have interrupted you.</p> <p>14 You were responding to the question from the chairman</p> <p>15 about the key terms of the competitive tendering</p> <p>16 contract.</p> <p>17 PROF JOHN STANLEY: Yes. I'm saying that the main focus</p> <p>18 is -- I think otherwise, on most of the elements, the</p> <p>19 contracts are not vastly different between competitive</p> <p>20 tendering and negotiation. I think it's really just</p> <p>21 a matter of how that right to operate is provided.</p> <p>22 A lot of the detail of the contracts is fairly similar</p> <p>23 between the two.</p> <p>24 CHAIRMAN: And the negotiated contracts are lengthy compared</p> <p>25 with the franchise agreements of Hong Kong? I think you</p>	
	<p>1 have made that point.</p> <p>2 PROF JOHN STANLEY: They are unbelievably long, Chairman.</p> <p>3 My recollection is that I think the Hong Kong franchise</p> <p>4 agreements are 31 or 32 pages. The comparable Melbourne</p> <p>5 negotiated contract is 160 pages, plus a bunch of</p> <p>6 schedules as well.</p> <p>7 CHAIRMAN: Yes.</p> <p>8 MR DEREK CHAN: Thank you. Professor, I think you have</p> <p>9 talked a lot about negotiated contracts, but perhaps</p> <p>10 I can just go through a couple of things, perhaps by way</p> <p>11 of summary.</p> <p>12 You have mentioned that the negotiated contracts</p> <p>13 would be quite similar to the competitive tender</p> <p>14 contract.</p> <p>15 PROF JOHN STANLEY: Yes.</p> <p>16 MR DEREK CHAN: Can I just confirm that under these</p> <p>17 negotiated contracts, it's also the government who</p> <p>18 collects the fares?</p> <p>19 PROF JOHN STANLEY: Yes, Mr Chan.</p> <p>20 MR DEREK CHAN: And the operator is basically paid to run</p> <p>21 the service?</p> <p>22 PROF JOHN STANLEY: Correct. The contracts are what we call</p> <p>23 gross-cost-plus contracts, so they are gross cost</p> <p>24 contracts, but they do have incentive and penalty</p> <p>25 clauses as well. So the operator gets paid an agreed</p>	

Page 33	<p>1 amount to run the service, but then there's an at-risk 2 component that's tied up in those incentive and penalty 3 clauses, which is not huge but, relative to the margins 4 on the contract, it's enough to make you focus on 5 achievement.</p> <p>6 CHAIRMAN: Can you estimate, if you can, the percentage of 7 the variable?</p> <p>8 PROF JOHN STANLEY: Yes, Chairman. There are essentially 9 two main components that are operative in this space at 10 the moment. The first one is a patronage incentive, and 11 in a sense that's only got upside. So if an operator 12 grows patronage faster than a benchmarked rate, then 13 they are entitled to a patronage incentive.</p> <p>14 Then there's an operational performance regime which 15 covers, as I said before, things like on-time running, 16 service cancellations. You put those sorts of things 17 together, you are talking about 2 or 3 per cent.</p> <p>18 CHAIRMAN: That's the benefit side of it?</p> <p>19 PROF JOHN STANLEY: That's the kind of swinging margin.</p> <p>20 CHAIRMAN: So benefit and penalty?</p> <p>21 PROF JOHN STANLEY: Yes. So you could go up by that or down 22 by about that. So it's not huge, but contracts like 23 this probably have margins of around about 10 per cent 24 on them.</p> <p>25 CHAIRMAN: Thank you.</p>	Page 35	<p>1 cost base, some of these operators have been quite small 2 and some of the larger ones are keen on buying market 3 share, they are really after a substantial share of the 4 market where they can give them a chance to grow their 5 business further.</p> <p>6 MR DEREK CHAN: When you talk about creating benefits, do 7 I understand that to be benefits in economies of scale?</p> <p>8 PROF JOHN STANLEY: Yes. There's also a part of it, 9 Chairman, that -- these are family companies, and 10 sometimes the next generation don't want to continue on 11 in the business. We had an interesting example a few 12 years ago where the Grenda Corporation, who are one of 13 the two or three largest bus operators in Melbourne, 14 a couple of generations in the family, the next 15 generation decided they didn't want to continue in the 16 business, so they sold the business, and in fact in that 17 sale process they gave one-third of the revenue to their 18 staff, which was an amazingly generous thing to do.</p> <p>19 CHAIRMAN: So, as an overview, 1,700 franchised buses in 20 Melbourne, the pie is divided up one-third to the 21 current successful operator, Transdev?</p> <p>22 PROF JOHN STANLEY: Transdev.</p> <p>23 CHAIRMAN: Then the other two-thirds are divided up by 12 24 operators?</p> <p>25 PROF JOHN STANLEY: Correct.</p>
Page 34	<p>1 MR DEREK CHAN: Approximately how many operators would there 2 be under this negotiated contract system?</p> <p>3 PROF JOHN STANLEY: There are 15 contracts and 12 operators. 4 When I was negotiating the contracts, about ten or so 5 years ago, there were a lot more; there were about 26 6 then. So there's been consolidation in the last decade.</p> <p>7 CHAIRMAN: How has consolidation occurred?</p> <p>8 PROF JOHN STANLEY: It's essentially occurred through 9 operators buying out other operators. So one of the 10 companies that I talk about a little bit in this paper 11 is a company called ComfortDelGro Cabcharge, CDC, who 12 operate also in Singapore, for example, and I think in 13 London as well. They have bought a substantial share of 14 the market. Ventura, whose name I mentioned before, 15 have absorbed another very large company in Melbourne as 16 well. Some of the smaller companies have been taken 17 over by slightly larger ones. So we have seen about 18 half of the operators disappear in the last decade, and 19 I expect we will see some continuing contraction.</p> <p>20 MR DEREK CHAN: From a policy perspective, can you attribute 21 a purpose or reason to the expectation that there will 22 be market contraction amongst the number of operators?</p> <p>23 PROF JOHN STANLEY: Yes. I think that it does create 24 benefits to particular companies in terms of cost base. 25 Some getting a little bit larger can help you with your</p>	Page 36	<p>1 CHAIRMAN: So what is the largest number of buses that any 2 one operator operates?</p> <p>3 PROF JOHN STANLEY: There would be about 500.</p> <p>4 CHAIRMAN: About 500?</p> <p>5 PROF JOHN STANLEY: Mm-hmm.</p> <p>6 CHAIRMAN: Would that be Transdev?</p> <p>7 PROF JOHN STANLEY: Transdev would probably have 500, and 8 I suspect that Ventura would have sort of around 300 or 9 400 as well. CDC would have a large number, around 10 about 400. I can get those numbers back to you.</p> <p>11 CHAIRMAN: So if the tendered process takes up 500, that 12 leaves 1,200 to be divided by the 12 operators, and from 13 what you are saying, two of them occupy most of 14 those bus --</p> <p>15 PROF JOHN STANLEY: In fact, three of them would account for 16 a very large proportion of that.</p> <p>17 CHAIRMAN: Thank you.</p> <p>18 MEMBER AUYEUNG: Professor, can you give us some idea about 19 the size of the smaller one, how many buses a small 20 operator would have?</p> <p>21 PROF JOHN STANLEY: I'm thinking around 30 to 40, but there 22 would only be one or two.</p> <p>23 MEMBER AUYEUNG: 30 to 40 buses only?</p> <p>24 PROF JOHN STANLEY: (Nodded head).</p> <p>25 MEMBER AUYEUNG: Thank you.</p>

Page 37	Page 39
<p>1 MR DEREK CHAN: In the Melbourne context, what happens to 2 the infrastructure -- the buses, the depots, the repair 3 facilities -- when one contractor moves on to the next 4 contractor as a result of the competitive tendering 5 process? 6 PROF JOHN STANLEY: Sure. The contract specifies how those 7 assets need to be handled in the process, and in fact 8 that also applies for the negotiated contracts. So 9 holding the depots in particular puts you in a very 10 powerful position as a bus operator. It's very hard to 11 build a new depot, particularly in highly built-up 12 areas. 13 But one of the ways -- government is concerned about 14 this, because government wants the opportunity to make 15 sure there is some competition in the process, and it's 16 hard to get competition if you've got a negotiated 17 contract. But given that the operators, with the 18 negotiated contracts, have a little bit of concern about 19 whether their services might at some point be put out to 20 tender, they have agreed with government to a process 21 whereby their assets -- and the same thing applies for 22 the competitively tendered ones -- are made available to 23 a successor operator on particular terms. 24 MR DEREK CHAN: Basically, the old operator sells the 25 infrastructure to the new operator?</p>	<p>1 heavily subsidised by the government? 2 PROF JOHN STANLEY: They are. In fact, one of the reasons 3 why, when I was running the association, we put a lot of 4 effort into defining or trying to measure the value that 5 the community got from those services. In fact, in the 6 paper that I wrote with my colleague, Prof Hensher, 7 I estimated that the value of Melbourne's route bus 8 services to the Melbourne society, Melbourne community, 9 is about ten times the financial cost recovery rate. 10 The main benefits are particularly social inclusion. 11 In other words, if you didn't have those buses, 12 particularly in the outer suburbs -- and Melbourne has 13 very extensive low-density outer suburbs that are 14 growing very fast -- if you didn't have those bus 15 services, a lot of those people would not be able to 16 participate in the range of activities that our society 17 makes available. We have estimated that alone is worth 18 more than the cost of the bus services. And the bus 19 services are also a very significant contributor to 20 congestion reduction. Those two benefits in particular 21 are more than double the cost of the subsidy. 22 MR DEREK CHAN: So that's an economic justification to 23 giving subsidy to those services? 24 PROF JOHN STANLEY: Precisely, Mr Chan, yes. 25 MR DEREK CHAN: Would it be fair to say that this subsidy</p>
Page 38	Page 40
<p>1 PROF JOHN STANLEY: Yes. 2 CHAIRMAN: Including the buses? 3 PROF JOHN STANLEY: Yes. 4 CHAIRMAN: So the depots, the bus stations, the buses 5 themselves? 6 PROF JOHN STANLEY: Yes. 7 CHAIRMAN: So that's what would have happened with 8 National Express and Ventura and the other one? 9 PROF JOHN STANLEY: Correct. The three. They just change 10 the logo on the buses. 11 MR DEREK CHAN: In general terms -- and my question covers 12 both the competitive tendering part and the negotiated 13 contract part -- does the fare revenue that the 14 government receives cover the cost of running the bus 15 routes? 16 PROF JOHN STANLEY: It covers probably in the order of 17 20 per cent plus. So it's around about a dollar in five 18 or a little bit better than that. 19 Now, if fare concessions were added, that government 20 requires the operators to give fare concessions to 21 certain sorts of customers, and if the government 22 compensated the operators specifically for that, it 23 might get up to 30 per cent, but fare box recovery, as 24 it is, off the top, sort of just low 20s or 20 per cent. 25 MR DEREK CHAN: So, in that context, the bus operations are</p>	<p>1 part would be a big point of difference between 2 Hong Kong and Melbourne, in the sense that in Hong Kong, 3 the operators keep the fares and they run the profit 4 risk of patronage? 5 PROF JOHN STANLEY: They are a huge difference. I guess the 6 corollary of that is probably Melbourne knows what the 7 societal worth of its bus services is, but Hong Kong 8 doesn't, because we have done the exercise, because we 9 have needed to do to say what it is that we are doing 10 for society that should make it worthwhile for 11 government to think about paying so much money. I would 12 think, if there's a really useful exercise to be done in 13 Hong Kong, it's trying to define more precisely and 14 measure the value to the Hong Kong society of the bus 15 services that are provided. 16 CHAIRMAN: But Hong Kong operates a "use pay" system that 17 works? 18 PROF JOHN STANLEY: It does indeed, Chairman, but there are 19 also other people who benefit from the services and 20 other people who incur costs. 21 CHAIRMAN: Yes. 22 PROF JOHN STANLEY: For example, the subject of the inquiry 23 is safety, and safety is a major externality of 24 transport operations. So, if you have an interest in 25 externalities, as I do, then trying to understand the</p>

Page 41	Page 43
<p>1 benefits and the costs that are associated with</p> <p>2 providing bus services, and if you had, for example,</p> <p>3 half the people who are travelling on the franchised</p> <p>4 buses every day getting in cars instead, you would have</p> <p>5 much poorer safety outcomes.</p> <p>6 CHAIRMAN: Yes.</p> <p>7 PROF JOHN STANLEY: So those sorts of things, I think, need</p> <p>8 to be understood.</p> <p>9 CHAIRMAN: Does the Hong Kong model work simply because of</p> <p>10 the number of people who use our buses?</p> <p>11 PROF JOHN STANLEY: I would have said yes, Chairman, and the</p> <p>12 density that supports that.</p> <p>13 CHAIRMAN: Yes.</p> <p>14 Thank you, Mr Chairman.</p> <p>15 MR DEREK CHAN: Professor, can I move on to a related topic,</p> <p>16 but the focus a little bit different, and under this</p> <p>17 topic I want to discuss with you the advantages and</p> <p>18 disadvantages between competitive tendering and</p> <p>19 negotiated contracts. So I want to assess not</p> <p>20 necessarily which is better --</p> <p>21 PROF JOHN STANLEY: Sure.</p> <p>22 MR DEREK CHAN: -- but the good and bad of each system, if I</p> <p>23 can use that term.</p> <p>24 PROF JOHN STANLEY: Yes.</p> <p>25 MR DEREK CHAN: Can I start that topic by taking you to</p>	<p>1 Hong Kong than in Melbourne."</p> <p>2 So that's the where you deal with the advantage of</p> <p>3 competitive tendering.</p> <p>4 Can I also, in the same vein, take you to a second</p> <p>5 reference.</p> <p>6 CHAIRMAN: Before you move on, you identify this as a risk,</p> <p>7 but it's a risk that is not eventuated: no incumbent</p> <p>8 negotiated contract operator has lost its contract.</p> <p>9 PROF JOHN STANLEY: Yes. I think there are two ways of</p> <p>10 looking at this, Chair. One is the risk in terms of the</p> <p>11 pressure on the costs of providing the service. The</p> <p>12 real point of competitive tendering is to sharpen the</p> <p>13 pencil in terms of what the costs are for running</p> <p>14 services, and the people who've -- the jurisdictions</p> <p>15 around the world that have gone into competitive</p> <p>16 tendering, it's almost always where you have had a</p> <p>17 government providing the service, not a private company,</p> <p>18 and the government has decided that it can't afford the</p> <p>19 cost, subsidy, if you like, to continue those services,</p> <p>20 and so it's said, "Let's see if we can get this done</p> <p>21 more cheaply by going out to tender." And the</p> <p>22 international evidence I think is that competitive</p> <p>23 tendering, if you are putting a private operator in to</p> <p>24 replace a public operator, tends to give you savings</p> <p>25 between 10 and 50 per cent.</p>
Page 42	Page 44
<p>1 page 20 of the expert bundle, which will be your first</p> <p>2 report.</p> <p>3 Excuse me, Mr Chairman, that may be a wrong</p> <p>4 reference.</p> <p>5 CHAIRMAN: Yes. Take your time.</p> <p>6 MR DEREK CHAN: I'm sorry, Mr Chairman, it ought to be at</p> <p>7 page 20 of your second report, which is at page 73 of</p> <p>8 the expert bundle.</p> <p>9 CHAIRMAN: Thank you.</p> <p>10 MR DEREK CHAN: On page 73, the topic that you are</p> <p>11 discussing there is the franchises and the method of</p> <p>12 allocating the rights for service provision.</p> <p>13 If I can draw your attention to the second paragraph</p> <p>14 from the bottom, starting with the word "However" --</p> <p>15 I will just read it out:</p> <p>16 "However, Melbourne also tendered about one-third of</p> <p>17 its route bus services, which adds an element of</p> <p>18 performance pressure to the whole route bus system, both</p> <p>19 tendered and negotiated. The tendering element has the</p> <p>20 effect of creating a lingering concern among incumbent</p> <p>21 operators with negotiated contracts that their services</p> <p>22 are not guaranteed: there is always a risk that their</p> <p>23 services might be tendered if they do not perform. The</p> <p>24 absence of tendering in Hong Kong for the last two</p> <p>25 decades suggests that this risk is likely to be lower in</p>	<p>1 Now, if you've got a private operator who's already</p> <p>2 operating, and operating commercially in a viable way,</p> <p>3 the rights to operate are very valuable. The government</p> <p>4 has essentially given that operator a free run in terms</p> <p>5 of a market area on which they can earn a return by</p> <p>6 providing a good service. It may well be, if they</p> <p>7 tendered, that somebody would pay the government some</p> <p>8 money to actually have the right to run that service.</p> <p>9 CHAIRMAN: Yes.</p> <p>10 PROF JOHN STANLEY: This is pretty unusual, Hong Kong.</p> <p>11 There aren't many places where you could mount that</p> <p>12 argument, but I think it's the case here. Because your</p> <p>13 services are so successful, in that commercial sense, at</p> <p>14 the end of the day, it's the government that has given</p> <p>15 the operator the right to run a service and make</p> <p>16 a profit, and it's a possibility that if that was</p> <p>17 a contested service, the price would be lower and</p> <p>18 an operator might pay the government some money to</p> <p>19 provide the service.</p> <p>20 CHAIRMAN: Thank you.</p> <p>21 MR DEREK CHAN: The second reference to the issue of</p> <p>22 performance pressure arising from tendering is at</p> <p>23 page 87 of the expert bundle. The relevant paragraph is</p> <p>24 at the top of that page. I will just read it out:</p> <p>25 "Melbourne's route bus operators seem likely to be</p>

Page 45	Page 47
<p>1 under relatively greater performance pressure than 2 Hong Kong's franchised bus operators because of: (1) the 3 ever-present threat of competitive tendering in 4 Melbourne, in the event of unsatisfactory operator 5 performance; (2) the inclusion of specific (albeit 6 small) incentive/penalty provisions in contract 7 remuneration arrangements; and, most importantly from 8 a safety perspective, (3) the existence of safety 9 duties ..."</p> <p>10 I'm going to explore with you the second and third 11 part a bit later, but the first part refers to the 12 benefits from the existence of competitive tendering in 13 Melbourne.</p> <p>14 To some extent, you have explained bits of it 15 already, but can I test with you the concept of 16 competitive tendering and how that fits within the 17 Hong Kong environment where the bus operators collect 18 the fares and assumes the profit risk from the provision 19 of route bus services. I think you have already started 20 on that topic during your previous answer to the 21 chairman.</p> <p>22 I understand there are a number of options 23 available, but perhaps I can get you to explain some of 24 those options. So you have talked already about -- 25 because the route bus operator collects the profit from</p>	<p>1 he might be getting at the moment, and transfer some of 2 that margin back to the government, to hold the right to 3 run that service?</p> <p>4 I think, in the evidence you have received from 5 London, they talk about quite low margins on the 6 services there because of the competitive tendering 7 process, and I think the way London do it, they have 8 relatively small contracts, they have short contracts, 9 and they have performance pressure coming through that, 10 and that pushes the returns down. So an operator might 11 say, "I'm prepared to put in a bid, I'm not going to 12 drop my margin", so they would put in a particular 13 price. Another operator might think, "I'm prepared to 14 pay the government some money for this contract because 15 I think I can make money out of it and so can the 16 government."</p> <p>17 I think it's hard to know how that would go, but -- 18 and let me be clear, I'm not saying Hong Kong should 19 competitively tender. I wouldn't say that at all. But 20 if you wanted to hypothetically think how might you do, 21 then what I would do is I would pick a number of routes 22 and I would actually choose some routes and I would deal 23 with them. I would put some routes out to competitive 24 tender. Now, it would be a fairly messy process in 25 terms of assets and buses that need to get dealt, I mean</p>
Page 46	Page 48
<p>1 patronage, and that's valuable, so you have talked about 2 the possibility of a contractor or bidder actually 3 paying the government a sum for the right to operate 4 this franchised area or franchised bus routes.</p> <p>5 What about the option of no bidding price, so the 6 government opens up the right to run a certain franchise 7 area? What would be the bidding be based upon then, if 8 there's no price?</p> <p>9 PROF JOHN STANLEY: I'm not sure if I'm understanding you 10 precisely, but let me answer what I think you are 11 asking. If the government is going to do that, it would 12 say, "Okay, in area X we are going to get rid of all 13 existing franchises for that and we are going to invite 14 anybody who wants to provide a service to put in a bid 15 to provide a service for that area."</p> <p>16 Now, the bid might be to provide a particular 17 timetable, as we talked about before, Chairman, where 18 the government might specify fully what it wants the 19 services to look like, and then it invites an operator 20 to bid for that service. Now, you would expect those 21 bids would be pretty low, you know, in the sense of it's 22 not going to cost the government a lot of money, in that 23 sense. But the real issue is, I think, can the 24 government make some money out of it; will an operator 25 be prepared to accept a lower return, for example, than</p>	<p>1 how you deal with the equity that's invested in those 2 sorts of assets; it could be a very difficult thing to 3 do, but presumably in principle you could do it, for 4 a price. Then it's up to how big you want that area and 5 how many routes you want to think about putting out for 6 bidding.</p> <p>7 CHAIRMAN: You referred to the London contracts as being 8 "short". As I understand it, the system in London is 9 the tender is for a five-year contract --</p> <p>10 PROF JOHN STANLEY: Correct.</p> <p>11 CHAIRMAN: -- with a two-year extension possibility, but 12 that after seven years, it's re-tendered.</p> <p>13 PROF JOHN STANLEY: Yes.</p> <p>14 CHAIRMAN: The seven years is the same as Melbourne; is that 15 right?</p> <p>16 PROF JOHN STANLEY: Ours isn't a five plus two, it's seven.</p> <p>17 CHAIRMAN: I follow that.</p> <p>18 PROF JOHN STANLEY: They are also smaller contracts. They 19 tend to be route-based contracts, I think, in London.</p> <p>20 CHAIRMAN: Yes, as I understand it, that is the case.</p> <p>21 MR DEREK CHAN: So, if I understand your answer correctly, 22 there can be a number of possibilities, obviously. One 23 is a bidder proposing to pay the government a sum for 24 the operation, for the right to operate an area or 25 a number of routes. The second possibility is the</p>

Page 49	Page 51
<p>1 bidder offering to share part of the margins with the 2 government, as part of the bid. 3 PROF JOHN STANLEY: Yes. 4 MR DEREK CHAN: So that's what you call a bidding price. 5 PROF JOHN STANLEY: Okay. 6 MR DEREK CHAN: I suppose a third possibility exists that 7 there is no bidding price and the competition is based 8 entirely on an assessment of the quality of the service 9 expected to be provided. Would that sort of tendering 10 be logical or not? 11 PROF JOHN STANLEY: Absolutely. I mean, normally the 12 criteria that are taken into account in competitive 13 tendering -- price is one, obviously, but quality of 14 service is very important, and often you will find 15 jurisdictions don't offer the contract to the lowest 16 bidder; they put more emphasis on quality of service in 17 that process. 18 So quality of service would certainly be a very high 19 priority in terms of determining what qualities you 20 would want the operator to bring to providing that 21 service. 22 CHAIRMAN: Presumably, another way in which it might be 23 negotiated is the prospective new operator might say, 24 "I can do these routes for 10 per cent less than the 25 fares that the incumbent is doing it"?</p>	<p>1 responsibility legislation in Melbourne for our bus 2 services, and as a bus tester, if we know that 3 an operator's buses are not up to standard, then we 4 would be seen, we believe, as part of the chain of 5 responsibility if something untoward was to happen as 6 a function of one of those vehicles. 7 So I think that's a risk, and how would you deal 8 with that? I think you have to deal with that by 9 specifying quality criteria into your bidding document 10 that says what your expectations are about fleet 11 condition, for example, and how the maintenance is 12 undertaken. 13 MEMBER LO: In the tendering process, competitive bid, if it 14 were to make safety an explicit item, how would you pull 15 it into the tendering process? So, if safety becomes 16 an explicit item that somebody can bid for, what would 17 that be? 18 PROF JOHN STANLEY: I think you would be nominating things 19 like the condition of the vehicles, the maintenance 20 schedules that need to be done. You would be setting 21 limits on defects that operators would need to come up 22 to, and then they would be in default under the contract 23 if they didn't actually achieve those outcomes. So I'm 24 not essentially -- I'm not a lawyer, but I think that's 25 how you would deal with it. You would actually be</p>
Page 50	Page 52
<p>1 PROF JOHN STANLEY: Exactly, lower fares. 2 CHAIRMAN: There would be no payment to government, "but we 3 are providing better value to the public"? 4 PROF JOHN STANLEY: Absolutely. That's the kind of degree 5 of freedom is what happens to fares. 6 MR DEREK CHAN: So that's the advantages of competitive 7 bidding -- 8 PROF JOHN STANLEY: Mm-hmm. 9 MR DEREK CHAN: -- generally. Are there any perceived 10 advantages that competitive tendering brings about that 11 relate more specifically to the safe operation of buses? 12 PROF JOHN STANLEY: I think the risks are the other way with 13 competitive tendering, that you might find situations 14 where operators go in low with their bids and find out, 15 "Gee, we are not making the margins we thought we were 16 going to make; we will see where we can cut some 17 corners." That might lead, for example, to deferred 18 maintenance, which is a risk in this situation. 19 One of the things I mentioned in my first report was 20 that Road Safety Inspections, the bus testing company 21 that I'm a director of, was concerned about the 22 condition of the number of the buses that were providing 23 Melbourne's competitively tendered service. We drew 24 that to the attention of the regulator. The reason we 25 did that is that we operate under chain of</p>	<p>1 setting benchmark targets for performance that the 2 operator needs to meet, and if those targets aren't met, 3 then you would go through a cure regime. 4 MEMBER LO: Is it common to put accident rate as part of the 5 bidding? 6 PROF JOHN STANLEY: Part of the bidding criteria? 7 MEMBER LO: I don't know. If you were to use safety 8 explicitly as a measure, do people use accident rate as 9 a -- 10 PROF JOHN STANLEY: If you were to -- 11 MEMBER LO: If you don't keep your promise you pay a fine or 12 something? 13 PROF JOHN STANLEY: I'm not aware of too many people who 14 actually have incentives or penalties that relate 15 explicitly to safety provisions, but if you were to do 16 that, then accident rate would be a really good place to 17 start, but you would need to take that a fair bit 18 further, I think. 19 CHAIRMAN: Is that not a provision in Singapore, a penalty 20 if the accident rate reaches a certain level? 21 PROF JOHN STANLEY: I think it is, Chairman, but I don't 22 know enough about it. 23 CHAIRMAN: It's quite a high level, is my recollection, 24 higher than is experienced in Hong Kong. 25 PROF JOHN STANLEY: Okay.</p>

Page 53	Page 55
<p>1 MR DEREK CHAN: Yes, as a possible downside risk to 2 competitive tendering, you have mentioned in your answer 3 something about deferring costs. Let me try to flesh 4 that out a little bit more. 5 You gave an example of maintenance costs. 6 PROF JOHN STANLEY: Deferred maintenance, yes. 7 MR DEREK CHAN: Is that a consequence of the contract length 8 being only a specified period of time, so as long as you 9 keep up your performance within that period, you don't 10 care what happens after, or is that a wrong way of 11 looking at it? 12 PROF JOHN STANLEY: No. I think -- again as I said earlier 13 on, I'm not aware of the full detail of the 14 competitively tendered contract, but the usual practice 15 for government in this would be to put some requirements 16 in the contract about the condition of the vehicles at 17 the end of the contract period, so that you would avoid 18 that problem. 19 MR DEREK CHAN: But in terms of the general concept of 20 deferring costs as a downside risk of competitive 21 tendering -- I think you mentioned the operator going in 22 low -- what do you mean by deferring costs? If 23 I understand correctly, I go in low, I operate with low 24 cost, I cut corners here and there because of the length 25 of the contract, I don't look at the long term, I look</p>	<p>1 PROF JOHN STANLEY: I think there's a risk. 2 CHAIRMAN: The operator finds that he's underbid and so he 3 doesn't replace the tyres every 50,000 kilometres; he 4 says they will last 60,000 -- 5 PROF JOHN STANLEY: They will go a bit further, yes, 6 exactly. 7 CHAIRMAN: -- so that's a risk to safety? 8 PROF JOHN STANLEY: That's the risk, I think. 9 MR DEREK CHAN: I note that one-third of the Melbourne 10 routes are competitively tendered. Have you seen how 11 that introduction of competitive tendering -- has that 12 brought about any benefits in terms of the safe 13 operation of the buses? 14 PROF JOHN STANLEY: I don't think there's any evidence of 15 that. I think, if you look at the transport ombudsman's 16 report about complaints against bus operators, you will 17 find that the company that holds the contract for the 18 competitively tendered service tends to rate relatively 19 high in terms of complaints from customers to the 20 transport ombudsman, and I gave you the other example of 21 the maintenance problem that we identified as well. 22 CHAIRMAN: Which of the competitive tendered companies was 23 that? 24 PROF JOHN STANLEY: The current holder, Transdev. 25 CHAIRMAN: Transdev?</p>
Page 54	Page 56
<p>1 at the short term -- is that the idea you are trying to 2 express or am I getting it wrong? 3 PROF JOHN STANLEY: Yes. I think, during the process, if 4 you are in that position you have a serious discussion 5 with the government about whether they might be prepared 6 to help you out a little bit in terms of giving you 7 a higher rate of remuneration. I mean, that's a thing 8 that happens. You will find operators do that. They 9 actually go to government and try to renegotiate their 10 contract if they feel they have gone in too low. 11 In the particular Melbourne case, as I say, we 12 identified a real problem that we believe was an example 13 of that situation. That's been dealt with and the 14 operator's fleet is now in a much better condition. 15 I don't know whether there was any payment from 16 government or not in that process. 17 MR DEREK CHAN: Perhaps -- I'm sorry for going back on this 18 issue, but I just want to make it absolutely clear I'm 19 understanding it properly. I've heard a lot about 20 advantages commercially for a competitive tender, but 21 are there any advantages that relate specifically to 22 safety that arise out of competitive tendering? 23 PROF JOHN STANLEY: I can't think of any, Mr Chan, but 24 others may be able to. 25 CHAIRMAN: You point to the fact that there is a risk.</p>	<p>1 PROF JOHN STANLEY: Mmm. 2 CHAIRMAN: I know from London that they have had experiences 3 where a maintenance problem is in fact brought about by 4 a lack of strategic planning, where all the fitters and 5 engineers retired at the same time and they were unable 6 to recruit. Was the Melbourne problem of that kind of 7 origin or was it perceived to be a cost-cutting problem? 8 PROF JOHN STANLEY: No, I think it's really more to do with 9 bus -- we've got an incredibly high population growth in 10 Melbourne at the moment. It's growing about 11 2.5 per cent per annum. So the buses are being worked 12 much harder, and I think it's partly to do with that, 13 that the buses are doing more kilometres, they are being 14 kept a bit longer so they are getting a bit older. 15 That's I think probably what's been going on there. 16 CHAIRMAN: Thank you. 17 MR DEREK CHAN: Professor, can I then move on to look at the 18 pros and cons of a negotiated contract concept. Can 19 I start first by taking you to your second report, that 20 is the expert bundle at page 86. I am interested in the 21 bottom paragraph of that page. 22 Can I just read that passage out. You say at the 23 bottom of page 86: 24 "Route bus operators need to feel a certain amount 25 of performance pressure when they are essentially</p>

Page 57	Page 59
<p>1 operating under a renewable negotiated 2 franchise/contract regime. The author supports the 3 negotiated approach to allocating the rights for route 4 service provision, provided this includes mechanisms to 5 ensure that operators are under pressure to perform 6 across a range of outcome areas. This needs 7 opportunities for a bonus for good performance but 8 penalties for poor performance and a plausible risk of 9 loss of franchise in the event of particularly poor 10 performance public definitions of which should be 11 embedded in the franchise agreement." 12 Can I first start with a general question: why do 13 you support the negotiated approach over a competitive 14 tendering approach? 15 PROF JOHN STANLEY: Yes. We have done a lot of work on this 16 in Melbourne, and I think the major benefit is that what 17 you can do with a negotiated contract, if you determine 18 that you want to do this, is develop a really strong 19 relationship between the operators and the government, 20 in terms of how best to develop the system as a whole. 21 Our experience would be that there are limited skills in 22 government, and limited skills in the operators, in 23 terms of things like system design and how to actually 24 get the best out of your public transport. And if 25 there's an opportunity to get government, the government</p>	<p>1 relationship we put in place with the government, that 2 hadn't been done for 30 or 40 years before that. 3 So I think there is evidence from our experience 4 that if you seek to develop a trusting partnership 5 between government and the authority, without regulatory 6 capture, but a partnership that holds accountability is 7 really important -- so the operator's got to perform; he 8 is not being given a licence just to receive money -- 9 then you can get really good outcomes. That's why 10 performance pressure is important to guard against this 11 risk, if you like, of regulatory capture under 12 a negotiated arrangement. 13 CHAIRMAN: Could you expand on what you describe as 14 "regulatory capture"? 15 PROF JOHN STANLEY: Certainly, Chairman. This is the thing 16 we have talked about a little bit before, if you like, 17 where the operator might go into a tender, bid too low, 18 works very hard on the government to try and become 19 their best friends, and then seeks to ratchet up the 20 price of the contract later on. 21 People would often criticise negotiated contracts 22 for just that point, that they say that the operators 23 have captured the government, and negotiation just lets 24 them continue on in what could be said is a rent-seeking 25 behaviour. So we are really strong on the importance of</p>
Page 58	Page 60
<p>1 experts in this space, and the industry working 2 together, you get a situation of one plus one equals 3 three. 4 That's really what we've tried to do, through -- 5 I've written about this in some of my papers -- 6 developing what we call a trusting relationship between 7 the government and the operator, but not to the point of 8 what some people call regulatory capture, where the 9 operators try to capture the regulator. That's 10 completely anathema to what I'm talking about. But we 11 are talking about really trusting partnerships between 12 the two, so there's really strong and open 13 collaboration, and that means that the contract or the 14 franchise can vary through the period of the contract. 15 It's an evolving thing. It's a live document. It's not 16 set in stone at the start, as competitive tender 17 documents tend to be, but you recognise going into it 18 that you are trying to improve the value of the service 19 all the way through that period, on the basis of 20 a trusting partnership between those players who are in 21 it. 22 I think we were able to do that in Melbourne at the 23 time when I was running the Bus Association, where we 24 achieved a very substantial increase in patronage and 25 service delivery because of the nature of the</p>	<p>1 performance pressure to mitigate that risk, because it 2 is a risk. 3 CHAIRMAN: And another way it might manifest itself would be 4 where the bus operator is able to resist any suggestions 5 made by the government about how to improve, for 6 example, safety devices on the bus. 7 PROF JOHN STANLEY: Sure. 8 CHAIRMAN: Never actually doing what is discussed, never 9 coming up with an actual change. 10 PROF JOHN STANLEY: If you have captured the regulator, you 11 can do that. 12 CHAIRMAN: That's the risk. 13 PROF JOHN STANLEY: It's a risk. That's why you need 14 performance pressure, and the performance pressure needs 15 to be seen for what it is, as genuine performance 16 pressure. 17 CHAIRMAN: Could you give some examples of what you regard 18 as performance pressure? In what areas? 19 PROF JOHN STANLEY: Yes. In particular, the safety 20 performance pressure. We approach that very much in 21 Melbourne through seeing -- and I think this may be one 22 of the things that we are pretty unique in -- we see 23 safety as a shared responsibility. All the parties in 24 what we call the chain of responsibility that can impact 25 bus safety have safety duties, and that requirement sits</p>

Page 61	Page 63
<p>1 underneath our accreditation system and it sits 2 underneath our negotiated contracting arrangements. 3 So all of our operators are highly aware that they 4 are liable to be put in a position where they might find 5 themselves in court, if safety circumstances turn out to 6 be such that they can be shown to not have taken due 7 care and done all that is, so far as is reasonably 8 practicable, to reduce safety risks. 9 That's a really important element of performance 10 pressure, that chain of responsibility provision. 11 I would say the lower-level performance pressure, not as 12 significant as that, is to do with incentives and 13 penalties that we talked about before, things like 14 on-time running, and so on, but also, as Prof Lo talks 15 about, whether you can have some incentives as well with 16 respect to safety. 17 CHAIRMAN: Yes, because on-time running is a service 18 incentive for penalty, but safety, as Prof Lo has 19 mentioned, might be measured in accident rates? 20 PROF JOHN STANLEY: Absolutely. 21 CHAIRMAN: What other ways can one measure safety? 22 PROF JOHN STANLEY: I think accident rate is a really good 23 starting point, and if you look at some of the reporting 24 that has been done I think in the safety plans of the 25 five-year forward plans, there's information on</p>	<p>1 safety problems and start to target those. 2 CHAIRMAN: I think London have identified 42 components of 3 some measure of approaching safety in that way. 4 PROF JOHN STANLEY: That sounds too many for me. 5 MR DEREK CHAN: You focused on performance pressure. Can 6 I just put this to you, to see what observations or 7 comments you have. 8 In a situation in Hong Kong where the bus service is 9 in one sense also competing with other modes of 10 transportation for patronage -- for example the rail, 11 public light buses, taxis -- do you think that type of 12 competition also creates the type of performance 13 pressure that you are envisaging? 14 PROF JOHN STANLEY: It creates an element of performance 15 pressure, but I don't think it's anywhere near as strong 16 as the performance pressure that you get, for example, 17 under competitive tendering, because the consequences of 18 poor performance are much more severe under competitive 19 tendering than they are under the context that you 20 describe. 21 So, for example, you might lose some passengers if 22 you are not competing well against MTR, for example. 23 But that's different to losing your business. I don't 24 see the need for performance pressure to necessarily go 25 as far as losing your business, you know, probably as</p>
Page 62	Page 64
<p>1 fatalities, collisions, non-collisions -- "slips, trips 2 and falls" types of involvement involvements as well -- 3 and in my view, if you are going to go down the path of 4 developing safety as an incentive or penalty provision, 5 I would drill down into where are the safety problems. 6 So you wouldn't use accident involvement rate in total; 7 you would look at the fatality rate, you would look at 8 "slips, trips and falls". And you would form a view, 9 I think, on what is the relative importance of those two 10 things. 11 I think one operator I saw, for example, had 12 an increase in the "slips, trips and falls" type 13 accidents, but a drop in fatalities. So, if you add 14 them up together, and say one incident is an incident, 15 you are missing that nuance. So I would be trying to 16 decompose it a bit and look at the major areas of safety 17 concern and make sure that there are KPIs, if you like, 18 or incentive/penalty clauses that relate to those. That 19 means you are going to really end up with a bundle, 20 I think, of measures. I don't know how many elements 21 are in that bundle. That's something that needs to be 22 settled by negotiation between government operators with 23 advice, for example, from committees such as your own, 24 about what the components are. 25 But I would start with what are the main sources of</p>	<p>1 commonly as it does under competitive tendering, but 2 that needs to be a plausible proposition. 3 I think, for performance pressure, there needs to be 4 a plausible threat that if your performance is so bad, 5 then your negotiated franchise/contract finishes. 6 I guess the other thing I would say, Chairman, is 7 that the fare adjustment mechanism that exists under 8 your franchise agreement here provides a little bit of 9 slack in the sense there's a formula for adjusting the 10 fares, changes in operating costs and revenue, for 11 example, are one of those things, but the need to 12 provide the bus operator with a reasonable rate of 13 return is one element to be taken into account in fare 14 adjustment. 15 So plausibly somebody who's losing the sort of 16 business that you talked about in competition could make 17 an argument against a clause like that. 18 CHAIRMAN: We have received evidence from the bus 19 operators -- and I think it's fair to categorise it in 20 this way -- that they are not very happy with this fare 21 adjustment mechanism, and they have reached the extent 22 in which they don't even make applications because they 23 anticipate them being rejected. 24 PROF JOHN STANLEY: I think it's really important that 25 a franchise or a contract has a clear and unambiguous</p>

Page 65	Page 67
<p>1 means of adjusting fares. In our case, it's not so much 2 fares as the return to the operator that gets subjected 3 to the same sort of formula. So you would look at 4 what's happening to wages, you would look at what's 5 happening to fuel costs, you would look at what's 6 happening to other elements of costs in the cost 7 structure, and we would take those into account in 8 changing the remuneration or the subsidy level, if you 9 like, that the operator receives from government; 10 whereas here it gets built into the fare-setting process 11 as the medium that you use to achieve the same outcome. 12 CHAIRMAN: Having said what I did about the bus operators' 13 views as a fare mechanism adjustment, I ought to add 14 that they have overcome their misgivings by both making 15 applications which are being considered by government at 16 the moment. 17 Mr Chan, if that's a convenient moment. 18 MR DEREK CHAN: Yes, I was actually going to move on to the 19 next topic, so that's very convenient. 20 CHAIRMAN: Prof Stanley, we are going to take a break now, 21 to give all of us a break, for 20 minutes, and resume 22 after that. 23 PROF JOHN STANLEY: Thank you, Chairman. 24 (11.35 am) 25 (A short adjournment)</p>	<p>1 sort of incentive being a direct cash payment or a cash 2 deduction, a fine of some sort? Is that what's being 3 envisaged, or is that something different? 4 PROF JOHN STANLEY: No, that's exactly what I envisage, 5 Mr Chan. 6 MR DEREK CHAN: So you would have targets or benchmarks, so 7 to speak, and if you don't make them, there will be 8 a penalty clause, and if you go over them, there will be 9 a bonus payment as such? 10 PROF JOHN STANLEY: Indeed, and I would imagine you would 11 set that up in bands, so you might fall short by 12 a little bit, or fall short by a big bit, or you might 13 accomplish the target by a small amount or by a large 14 amount, and that the level of the incentive or penalty 15 would reflect those thresholds, if you like. 16 I would just make a few comments which -- I talked 17 before the break about, for example, fatalities, "slips, 18 trips and falls", and so on, being some of the sorts of 19 things you might take into account. In terms of 20 developing KPIs or performance indicators, there's 21 a number of criteria that you would expect them to meet. 22 They need to be specific. You've clearly got to be able 23 to measure them. They ought to be achievable. They 24 clearly need to be relevant. The data, and so on, needs 25 to be available on a timely basis. And all of those</p>
Page 66	Page 68
<p>1 (11.56 am) 2 CHAIRMAN: Professor, before we resume, might I just mention 3 two matters. One is, as you know, we have simultaneous 4 interpretation being performed for us. So, for the 5 benefit of those that are listening to the 6 interpretation, might I invite you to slow down in your 7 answers, perhaps even making pauses, so that they can 8 follow up with you. 9 The other is that perhaps you could speak more 10 closely to the microphone which enables all of us to 11 hear you better. It's no doubt adjustable. You will 12 find whatever is a comfortable distance. 13 PROF JOHN STANLEY: Thank you. 14 CHAIRMAN: Mr Chan. 15 MR DEREK CHAN: Thank you, Mr Chairman. 16 We had been talking about incentivising safety just 17 before the break. I am going to focus more specifically 18 on that topic now. 19 Before the break, you have talked a little bit about 20 what possible indicators to focus on if you want 21 a safety-related incentive. Can I just ask a general 22 question: how do you envisage this working in 23 an environment where the bus operator already assumes 24 the risk of profit from the bus operation, so they 25 themselves depend on patronage? Do you envisage this</p>	<p>1 KPIs need to be something that the operator can affect. 2 There's no point having a KPI if the operator is not 3 able to, by their performance, influence the outcomes of 4 them. So they are really important. 5 But I also go back to the point I said before about 6 we see safety as a shared responsibility, and I think it 7 would be a real shame if those KPIs focused excessively 8 on the bus captains and not enough on other people who 9 are also, I believe, part of the chain of responsibility 10 for bus safety. So you would look at particular sorts 11 of safety performance indicators, which might be things 12 like fatalities and "slips, trips and falls", and so on. 13 But you would also try and see if there's a way in those 14 indicators to target a range of people who can affect 15 safety outcomes, not just the bus captains. Bus 16 captains often tend to be the kind of target for a lot 17 of this sort of work and that's probably a bit unfair. 18 MR DEREK CHAN: By your previous answer, do you have in mind 19 actually a bonus system from the government that not 20 only extends to the operator but employees of the 21 operator or -- 22 PROF JOHN STANLEY: I think that would be a matter for the 23 companies to work out, how they think they are going to 24 get the best result in terms of the objectives that 25 they've got. But I had initially envisaged that this</p>

Page 69	Page 71
<p>1 would be a bonus or a penalty at the company level, and 2 then the company would make a judgment about whether it 3 would like to reward, for example, particular people who 4 have contributed to that outcome. 5 MR DEREK CHAN: We have talked about at a general conceptual 6 level. Can I take you to a specific example that we 7 have come across during the inquiry -- there are 8 a number of examples but I will just pick one of them. 9 PROF JOHN STANLEY: Thank you. 10 MR DEREK CHAN: Just to illustrate how the concept may or 11 may not work, and ask for your observations on that 12 example. 13 Can I first take you to the TD-1 bundle at page 192. 14 Just so you know what this document is, it is a KMB 15 forward planning programme, and this particular page is 16 one page of the section on bus safety for 2018 to 2022. 17 So this document, at page 192, would have been 18 submitted by KMB to the Transport Department in around 19 mid-2017. 20 So, at paragraph 8.8.1 of this document: 21 "KMB proposes to use the 3-year average of 2014 to 22 2016 actual accident involvement rate of 2.71 (defined 23 as the number of buses involved in accidents per million 24 kilometres operated) as a target for the purpose of this 25 five-year plan period. It represents a 6 per cent</p>	<p>1 vehicle-kilometres from 2.74 in 2016 to 3.04 in 2017, 2 which was at a high level." 3 In the next paragraph, I will just read the last 4 sentence: 5 "Also, the actual accident involvement rate, which 6 is 3.04 in 2017, was higher than the proposed target 7 accident involvement rate in your FPP" -- that's the one 8 we saw earlier" -- which was 2.71." 9 And you can see in the table below that the accident 10 rate per million vehicle-kilometres has been increasing, 11 2015, 2016 and 2017. 12 The paragraph below the table also notes that: 13 "In terms of number of traffic accidents/number of 14 cases involving KMB buses as shown in the table below, 15 it has also shown an increasing trend from 362 in 2015 16 to 423 in 2017." 17 From the passages I have just read, we see that KMB 18 did not meet the accident target rate that it set for 19 itself. You can also see an increasing trend in KMB's 20 accident rate per million vehicle-kilometres. 21 In this context, where KMB has failed to meet the 22 target it set for itself, do you see your suggested 23 incentive/penalty system operating in a situation like 24 this? 25 PROF JOHN STANLEY: Yes, but I wouldn't apply it the way</p>
Page 70	Page 72
<p>1 reduction from the accident rate in 2014, the highest 2 record among 2014 to 2016." 3 So here we have the setting of a target or 4 benchmark, so to speak. 5 So this is the target that KMB set for themselves as 6 one possible safety indicator. This is in 2017. 7 If I can fast-forward one year and see what happens 8 in mid-2018, and for that can I invite you to go to 9 TD-5, page 1729. 10 Sorry, can I just go back a page, to 1728, just to 11 give the document some context. So, at 1728, you see 12 a letter from the Transport Department dated 21 May 13 2018, and it's from the Transport Department to KMB. 14 The first paragraph of the letter says: 15 "This is to provide you with a set of guidelines and 16 requirements covering the following aspects for your 17 compliance in preparation of the five-year forward 18 planning programme (2019 to 2023) ..." 19 So we are one year on, and we are on the topic of 20 the same forward planning programme. 21 Over the page, on 1729, you will see the Transport 22 Department's comments on bus safety. In the first 23 paragraph, the Transport Department says: 24 "We note that there was an increase in the number of 25 KMB buses involved in accident per million</p>	<p>1 it's been applied here. 2 If you look through the rows in the table that's 3 headed, "Number of KMB buses involved in traffic 4 accidents", you will see the number of fatalities has 5 gone from 11 to 5 to 3; the number of serious injuries 6 has gone from 122 to 110 to 11; and the number of slight 7 injuries has gone from 737 to 787 to 889. 8 Now, to quote an accident rate per million 9 vehicle-kilometres that treats each of those rows as 10 equally weighted is, to me, an error if you are trying 11 to develop a performance indicator. 12 I would say fatalities are far and away more 13 important than serious injuries, which are a lot more 14 important than slight injuries. So you need a weight to 15 apply to reflect the significance of those types of 16 accidents, if you are going to come up with a KPI, if 17 you like, that measures accident safety performance. 18 And accident rates per million vehicle-kilometres 19 are a very blunt and, I believe, a misleading measure. 20 MR DEREK CHAN: You would need a more nuanced indicator or 21 set of indicators? 22 PROF JOHN STANLEY: Absolutely. You need a set of more 23 nuanced indicators. These should form part of it, but 24 it should be the components, not the total. 25 And the components need to be weighted in some way</p>

Page 73	Page 75
<p>1 to reflect -- I mean, as an economist, I would use the 2 cost of those different sorts of accidents, which we 3 regularly measure in Australia and I'm sure you do here 4 in Hong Kong: you have a value for a typical fatal 5 accident, you have a value for a typical serious injury 6 accident, and you have a value for a typical slight 7 injury accident. I would use those weights to come up 8 with a weighted, if you like, accident rate per million 9 vehicle-kilometres.</p> <p>10 Have in mind also, though, there would be other 11 things you would want to include as well.</p> <p>12 MR DEREK CHAN: If you go on to the next page, 1730, at the 13 bottom, section 3, the Transport Department proposes 14 a safety-related plan, or KMB proposes a safety-related 15 plan. I will just read the first paragraph under that 16 heading: 17 "With a view to lower accident involvement rate of 18 buses and further enhance the safety of bus services 19 provided to the passengers, your company is required to 20 propose respective plans/proposals", and there are 21 a number of them.</p> <p>22 If you go over the page to 1731, the Transport 23 Department required KMB to propose a target accident 24 rate for the coming FPP, and proposed target reduction 25 of accident involvement rate.</p>	<p>1 "Under the ten-year metropolitan route bus service 2 contracts that expire in mid-2018, incentive/penalty 3 provisions relate to patronage growth ... and on-time 4 running/service cancellations. The contracts that will 5 replace those contracts generally retain this focus. 6 Safety is not a KPI [key performance indicator] under 7 the contracts and safety performance is not subject to 8 incentive/penalty provisions under the contracts but 9 poor safety performance could result in the safety 10 director removing an operator's accreditation, which 11 would mean loss of contract. The new contracts are 12 understood to provide for a passenger experience regime, 13 which is about the operator's performance with respect 14 to number, response and resolution of passenger 15 complaints that fall within the operator's control. 16 Relevant KPIs are yet to be developed but the focus is 17 wider than safety."</p> <p>18 Now, my question is a very simple one. If the 19 incentivising safety concept is important, why is it not 20 being incorporated in the Melbourne contracts?</p> <p>21 PROF JOHN STANLEY: Yes. Mr Chan, the reason for that is 22 that we rely very strongly, in our Melbourne contracts, 23 on the legislative base of safety duties and chain of 24 responsibility to achieve safety outcomes. So that 25 essentially makes all the parties who are able to</p>
Page 74	Page 76
<p>1 Again, your opinion would be that these targets are 2 too blunt, even as a target?</p> <p>3 PROF JOHN STANLEY: Absolutely, Mr Chan. They need to be 4 more nuanced than that.</p> <p>5 I would have thought targets like that ought to be 6 the outcome of a negotiation between the Transport 7 Department and the operator, rather than something that 8 the operator is going to propose to the department. 9 I think this is the sort of thing that really should be 10 the subject of a discussion where both parties can put 11 their cards on the table and come up with a feasible 12 programme.</p> <p>13 MR DEREK CHAN: Professor, I notice from your report that 14 the Melbourne bus contracts do not specify safety 15 performance as being subject to incentive and penalty 16 provisions under contract.</p> <p>17 Can I first take you to the reference and then ask 18 for your opinion on that.</p> <p>19 PROF JOHN STANLEY: Yes.</p> <p>20 MR DEREK CHAN: Can I take you to page 26 of the expert 21 bundle. That should be in your first report.</p> <p>22 Are you on page 26?</p> <p>23 PROF JOHN STANLEY: Yes.</p> <p>24 MR DEREK CHAN: Can I read the second full paragraph, 25 paragraph 3.4:</p>	<p>1 influence safety outcomes responsible for and 2 accountable for their performance in that regard.</p> <p>3 I personally believe that is the primary reason why 4 our services are held in a high regard from the safety 5 point of view. The Transport Safety Director, who I've 6 met many times during the preparation of the submissions 7 to your hearing, is firmly of the view that Melbourne's 8 route bus services are safe, and I believe that the 9 fundamental reason that that's the case is that people 10 can be held to account for their performance in the 11 event that it's not safe.</p> <p>12 So we've really got a very strong underpinning of 13 the contract regime by safety duties and chain of 14 responsibility in the law.</p> <p>15 MR DEREK CHAN: Just to give a very general understanding of 16 the concept that you just raised -- so you have legal 17 duties in Victoria to promote safety insofar as 18 reasonably practicable, but perhaps the peculiar feature 19 of that is that that duty is not just on the bus 20 operator but also on the employees that come under the 21 bus operator?</p> <p>22 PROF JOHN STANLEY: Yes, Mr Chan. The Bus Safety Act, which 23 is the relevant legislation in Victoria, legislates 24 safety duties. The primary safety duty, if I can read 25 the line from the legislation, is an obligation to</p>

Page 77	Page 79
<p>1 eliminate or minimise potential harm or risk by doing 2 all that is reasonably practicable to ensure safety. 3 Then, if you take an example, it talks about: 4 "An operator of a bus must, so far as is reasonably 5 practicable, ensure the safety of the bus service." 6 Now, the legislation then designates safety duties 7 that apply to a range of people, and it mentions -- 8 CHAIRMAN: Just pause there, if you would, Professor. 9 Do we have this available so it can be displayed on 10 the screen? 11 MR DEREK CHAN: Yes, we have. It would be in, probably, the 12 professor's first report. 13 CHAIRMAN: But is it not in an annex to -- or one of the 14 documents to which reference is made in the report? Are 15 those documents available? Do we have the Bus Safety 16 Act? 17 MR DEREK CHAN: Perhaps the professor can assist on that, 18 but not as far as I can see from the references attached 19 to the -- 20 CHAIRMAN: I must say, I have downloaded this myself and 21 I have it in my own bundle. Is this not available for 22 all of us? 23 MR DEREK CHAN: Yes, we can perhaps make it available. 24 CHAIRMAN: But is it not already available on the screen? 25 Is there a reference number -- I have three volumes of</p>	<p>1 affect safety, and the two -- or a fundamental principle 2 on which the legislation sits is the principle of shared 3 responsibility which I talk about at the bottom of 4 page 22 of the report. 5 CHAIRMAN: Does this duty extend to the public? 6 PROF JOHN STANLEY: It's not designated as such, no. 7 CHAIRMAN: I thought I had seen that in the legislation. 8 PROF JOHN STANLEY: I've missed that, if that's the case. 9 CHAIRMAN: I'm sure you are more familiar with it than I am. 10 I was a bit taken aback, if my memory is correct. 11 But, at all events, a chain of people who have 12 duties? 13 PROF JOHN STANLEY: Who can affect safety outcomes. It's 14 really, I think, to remind people that this isn't just 15 the bus drivers. You know, there are a lot of people 16 who can affect safety outcomes, and they all need to be 17 held accountable for their performance. 18 CHAIRMAN: So how are they held accountable; by being taken 19 to court? 20 PROF JOHN STANLEY: That can happen. The provisions 21 essentially have monetary fines that I -- 22 CHAIRMAN: And there are different levels depending on 23 whether it's the company, the scheduler, the bus 24 captain, and so on? 25 PROF JOHN STANLEY: Yes.</p>
Page 78	Page 80
<p>1 references to Prof Stanley's report on my right-hand 2 side -- is it one of those? 3 PROF JOHN STANLEY: Pages 22 and 23 of my first report 4 contain most of the relevant bits of the legislation. 5 MR DEREK CHAN: Mr Chairman, the references annexed to the 6 professor's report contain articles and publications 7 that describe the chain of responsibility, but not the 8 Act itself. 9 CHAIRMAN: Then we need the Act. 10 MR DEREK CHAN: Perhaps I can make that available over our 11 next adjournment. Then we can come back to that issue. 12 CHAIRMAN: Yes. But, at all events, we have an excerpt from 13 it at page 23? 14 MR DEREK CHAN: Yes, we have. 15 CHAIRMAN: You were about to go on, Professor, to describe 16 upon whom these duties are imposed. 17 PROF JOHN STANLEY: Thank you, Chairman. The legislation 18 actually talks about, if I use your language, bus 19 captains. It talks about schedulers. It talks about 20 service procurers, maintenance staff, and so on. 21 There is a concept in the legislation called bus 22 safety workers, and these safety duties apply to bus 23 safety workers as well as to particular designated 24 people such as drivers or bus captains. 25 So there is an extensive range of parties who can</p>	<p>1 CHAIRMAN: With the highest level reserved for the upper 2 echelons of the company? 3 PROF JOHN STANLEY: Correct, and in the new national law 4 that's about to come into play on 1 October -- which, in 5 a sense, sets the background for the Victorian law -- 6 they have introduced a category of "reckless behaviour" 7 as well, which can lead to prison as a possible 8 consequence. 9 CHAIRMAN: Yes. 10 PROF JOHN STANLEY: That's in the National Heavy Vehicle Law 11 update, but that will get reflected through shortly 12 into, if you like, the penalties that can apply under 13 this legislation. At the moment, they are mainly 14 monetary penalties. 15 CHAIRMAN: Before you go on, we've now got the Act. Which 16 section tells us about who's got the public duty? 17 PROF JOHN STANLEY: Clause 15 was where I was talking -- so 18 the duty of an operator, for example: 19 "An operator of a bus service must, so far as is 20 reasonably practicable, ensure the safety of the bus 21 service." 22 Then, if you go down to clause 16, it has similar 23 language for a procurer. 24 CHAIRMAN: What is a procurer? 25 PROF JOHN STANLEY: A procurer is somebody who buys a bus</p>

Page 81	Page 83
<p>1 service, and there's a really interesting discussion 2 going on at the moment in Victoria about whether the 3 public transport authority, which buys and determines 4 the schedules, is a procurer and might in fact be one of 5 the chain of responsibility. 6 CHAIRMAN: Why would it not be? 7 PROF JOHN STANLEY: That would be my view, Chairman. 8 So this continues, going down, in that way. 9 Then, in section 14 of the Act, it talks -- 10 CHAIRMAN: Can we just scroll down the list for the moment, 11 if we may. So we were going to 17. 17 is a bus safety 12 worker. 13 PROF JOHN STANLEY: 17 is a bus safety worker. Now, the 14 "bus safety worker" is defined up in the definitions at 15 the front part of the legislation. 16 CHAIRMAN: What does that encompass, broadly? 17 PROF JOHN STANLEY: I suggest it would be better to look at 18 that than to rely on me to remember it, Chairman. 19 CHAIRMAN: Very sensible. Can we go to the definitions 20 section, which is normally section 1. 21 "Definitions", section 3. Yes, "bus safety work". 22 Is there "bus safety worker"? There we are. 23 PROF JOHN STANLEY: So a bus safety worker means: 24 "... a person who has carried out, is carrying out 25 or is about to carry out, bus safety work", which is</p>	<p>1 "... (c) designing, constructing, supplying, 2 installing, repairing, modifying, maintaining, 3 monitoring, examining or testing equipment in or on 4 a bus; 5 (d) setting or altering a schedule or timetable for 6 a bus service; 7 (e) a prescribed activity"; I'm not sure what that 8 means. 9 But this is pretty comprehensive, and it's really 10 important, I think, to understand that the managers in 11 the bus companies know this. They are very conscious of 12 it. And, for example, in discussions about bus driver 13 working hours, this is really front of mind in terms of 14 what they will accept. So, for example, our bus drivers 15 or bus captains on average would work 44 to 46 hours 16 a week. They can, under the regulations, work more than 17 that. They don't, because the operators are concerned 18 about the safety implications of so doing. 19 In fact, the CEO of one of the larger operators, 20 when he took on that role in 2008, had an average of 21 about 48 hours, and he brought that down to within the 22 44 to 46 range over the subsequent four or five years. 23 And most of the Melbourne operators are running at 24 around about 45, in round terms, hours' driving a week. 25 CHAIRMAN: What are the maximum permitted hours of driving</p>
Page 82	Page 84
<p>1 defined in the previous point, "including a person who 2 is -- 3 (a) employed or engaged by a bus operator to carry 4 out bus safety work; 5 (b) engaged by any other persons to carry out bus 6 safety work; 7 (c) a trainee; 8 (d) a volunteer". 9 So this is quite broad, and, Chairman, this is where 10 we as bus testers in road safety inspection -- that's 11 why we were concerned, because we do testing of 12 vehicles, and we saw that this provision could pick us 13 up. 14 CHAIRMAN: Yes. Can we go to "bus safety work", the 15 previous definition. 16 PROF JOHN STANLEY: It means: 17 "... an activity that may affect the safety of bus 18 services including -- 19 (a) driving a bus or activities associated with 20 driving a bus; 21 (b) designing, constructing, supplying, repairing, 22 modifying, maintaining, monitoring, examining or testing 23 a bus ..." 24 CHAIRMAN: That's the section that applies to you. 25 PROF JOHN STANLEY: That's us.</p>	<p>1 per week? 2 PROF JOHN STANLEY: They could do 72, Chairman, which we 3 wouldn't think very favourably on. 4 CHAIRMAN: And is it your evidence that it is, because 5 regard is had to this safety duty, one of the reasons 6 that these hours have been reduced? 7 PROF JOHN STANLEY: Yes. The operators are very conscious 8 of the scheduling requirements, and, for example, one 9 operator builds 35 minutes' I think slack into a five 10 and a quarter hour shift to allow for traffic congestion 11 affecting their run times because they don't want to go 12 beyond the five and a quarter hours which, under our 13 regulation, is the maximum you can drive without having 14 a break. 15 And if you talk to them, they have absolutely front 16 of mind that this is the potential safety consequences 17 and implications for them if, for example, somebody was 18 killed by a driver driving an excessive amount of time. 19 CHAIRMAN: Yes, Mr Chan. 20 MR DEREK CHAN: And the point that you were making, going 21 into this chain of responsibility topic, was that 22 because you have this underlying layer of legal 23 obligations and duties, that explains why you don't need 24 to specifically incentivise safety in the bus contract 25 itself?</p>

Page 85	Page 87
<p>1 PROF JOHN STANLEY: Yes.</p> <p>2 MR DEREK CHAN: So, in Hong Kong, where we don't have that</p> <p>3 sort of underlying legislative regime of duties and</p> <p>4 obligations on safety, would you say that it makes it</p> <p>5 more important to incentivise or focus on safety in</p> <p>6 other ways?</p> <p>7 PROF JOHN STANLEY: I think it's a good way to increase the</p> <p>8 focus on safety, but not nearly as powerful or</p> <p>9 compelling as the safety duties and chain of</p> <p>10 responsibility provisions that we have. But I would</p> <p>11 also say that if you were to use safety penalties and</p> <p>12 incentives then, to go back to a point I made earlier,</p> <p>13 try and ensure that those incentives and penalties</p> <p>14 encompass a number of parties who are able to affect</p> <p>15 safety outcomes. In a sense, it's a de facto way of</p> <p>16 trying to do chain of responsibility.</p> <p>17 CHAIRMAN: Could you give us some context for the Bus Safety</p> <p>18 Act? Is this the Act that brought into Victoria safety</p> <p>19 duties of this kind?</p> <p>20 PROF JOHN STANLEY: Yes. The way the law works, Chairman,</p> <p>21 is that -- essentially, it is driven by the national law</p> <p>22 that I was involved in when I was at the National Road</p> <p>23 Transport Commission. We now have a National Road</p> <p>24 Transport Commission, and Heavy Vehicle National Law is</p> <p>25 set through that national process and it gets applied at</p>	<p>1 as very proactive in terms of safety, that we are good</p> <p>2 corporate citizens. So, in a sense, we were very</p> <p>3 proactive or keen to see safety legislation of this kind</p> <p>4 to which we thought we could confidently say we would</p> <p>5 comply.</p> <p>6 CHAIRMAN: That, of course, is not the factual circumstance</p> <p>7 of Hong Kong.</p> <p>8 PROF JOHN STANLEY: Indeed. I would say that if you look at</p> <p>9 simple indicators like fatality rates per million</p> <p>10 vehicle-kilometres, Hong Kong and London are not as good</p> <p>11 as Melbourne, and one possible reason for that is the</p> <p>12 fact that we've got this legislation. Another possible</p> <p>13 reason is our bus operating circumstances are probably</p> <p>14 a bit easier than they are in Hong Kong, in a physical</p> <p>15 sense, and London too.</p> <p>16 MR DEREK CHAN: Correct me if I am wrong, but I suppose one</p> <p>17 factor in play here is that because you have a heavily</p> <p>18 subsidised system, and a cost-plus-profit contract</p> <p>19 structure, any increased costs that relate to safety can</p> <p>20 in that sense be passed on to the government?</p> <p>21 PROF JOHN STANLEY: Absolutely. But it also means that the</p> <p>22 government then looks very closely at any potential</p> <p>23 additions to cost that may be from a safety perspective.</p> <p>24 An example would be we've had concerns for a number</p> <p>25 of years, but more particularly in the last three or</p>
Page 86	Page 88
<p>1 the state level.</p> <p>2 Now, not all states have a Bus Safety Act like this.</p> <p>3 Victoria and New South Wales, which are the two biggest</p> <p>4 states that have gone the furthest in this regard, and</p> <p>5 in fact the Bus Safety Act here got a bit ahead of the</p> <p>6 national legislation by introducing this idea of "so far</p> <p>7 as is reasonably practicable". The national legislation</p> <p>8 until I think 1 October this year is still based on "all</p> <p>9 reasonable effort" type of concepts. But this Victorian</p> <p>10 Act has had "so far as is reasonably practicable" as its</p> <p>11 basis since 2009, and the national law is picking that</p> <p>12 up on 1 October. So, in a sense, the national law is</p> <p>13 catching up a little bit to what the Bus Safety Act is</p> <p>14 saying.</p> <p>15 CHAIRMAN: But how many years in the making has this process</p> <p>16 involved?</p> <p>17 PROF JOHN STANLEY: Probably about three or four. It</p> <p>18 happened when I was CEO of the Bus Association. The law</p> <p>19 was in 2009 and I had that role from 1999 to 2008. So,</p> <p>20 you know, the legislation and putting the industry's</p> <p>21 views on the development of legislation was something</p> <p>22 that I was involved in through that time.</p> <p>23 And I think I said in my first paper that partly</p> <p>24 because the industry receives a substantial amount of</p> <p>25 financial support from government, we wanted to be seen</p>	<p>1 four years, with abuse and assault of bus drivers, and</p> <p>2 so installing security screens, closed-circuit</p> <p>3 television, and so on, to deal with problems like that</p> <p>4 have become a basis for sharing. So the operators are</p> <p>5 in fact meeting part of the cost of that and the</p> <p>6 government is meeting part of the cost of that.</p> <p>7 So it's a negotiated outcome.</p> <p>8 MEMBER LO: In proposing and enhancing this Bus Safety Act,</p> <p>9 who are the possible resistance and opposition against</p> <p>10 it? Who might be that?</p> <p>11 PROF JOHN STANLEY: Who would be against it?</p> <p>12 MEMBER LO: Yes. I mean, is it a straightforward thing</p> <p>13 or --</p> <p>14 PROF JOHN STANLEY: I can't think of anybody. The people</p> <p>15 who might be opposed to it, you would think, would be</p> <p>16 bus operators, because it really makes them accountable,</p> <p>17 but our bus operators in Melbourne are very much behind</p> <p>18 this legislation and the accreditation system, that is</p> <p>19 one of the key elements to implement it, because they</p> <p>20 know, or they believe, that it improves the safety</p> <p>21 outcomes that they can achieve.</p> <p>22 So, for example, it makes them a better place for</p> <p>23 someone to go and work because they think their drivers</p> <p>24 are more likely to be safer than in a system that</p> <p>25 doesn't have this same level of focus.</p>

Page 89	Page 91
<p>1 So I don't see anybody really opposed to this, 2 because the most likely candidate is one of the 3 strongest components for having it. 4 MEMBER LO: Yes, but it is imposing duties and obligations 5 and liabilities upon them, and they welcome it? 6 PROF JOHN STANLEY: They think they can perform to an extent 7 where they can meet their obligations to a satisfactory 8 level. In that event, they see that it can enhance 9 their standing as an industry that is a responsible 10 industry. So it has really been approached as 11 an industry, and I think that's one of the benefits that 12 we have in Melbourne from having a very strong operator 13 association, that we can speak as an industry rather 14 than as individual operators. 15 CHAIRMAN: Of course, there is an economic advantage to 16 enhanced safety, because accidents cost money. 17 PROF JOHN STANLEY: Indeed. 18 CHAIRMAN: That's a benefit to the bus operators. 19 PROF JOHN STANLEY: Indeed, Chair. 20 MR DEREK CHAN: In the same context, the committee has 21 received, in the form of a written report, some opposing 22 views to the concept of incentivising safety. Can 23 I invite your observations on that? 24 PROF JOHN STANLEY: Mm-hmm. 25 MR DEREK CHAN: Can I do that firstly by going to the expert</p>	<p>1 safety performance to financial payments could lead to 2 a reluctance to collaborate with other operators on 3 safety-related issues as it now had a competitive and 4 commercial benefit. Overall options to incentivise 5 safety within the bus contracts were not seen as 6 a positive move." 7 So he's identified two possible risks. First, the 8 underreporting of issues, and secondly, reduces 9 collaboration between bus operators. 10 Do you have any observations or comments to make in 11 respect of these two potential risks identified by 12 Mr Weston? 13 PROF JOHN STANLEY: Yes. Look, I acknowledge that there is 14 a risk that you could incentivise underreporting, but 15 I think that's a case of trying to design monitoring 16 systems and compliance assurance systems that make sure 17 that doesn't happen. 18 For example, in our setting, the Transport Safety 19 Director is the system auditor. He is an independent 20 person, organisation, with a statutory brief to accredit 21 operators and to ensure that they are complying with the 22 provisions of that accreditation regime, and they 23 include things like reporting. 24 So I think, if you are going to design incentives 25 and penalties, you need to make sure that you do guard</p>
Page 90	Page 92
<p>1 bundle, page 153. 2 Just to give this report some context, it is 3 a report prepared by Mr Mike Weston, who is a passenger 4 transport consult, and he specialises in the London bus 5 system. 6 The page is at page 153 at the bottom right-hand 7 corner, and the passage that I'm interested in is under 8 the heading, "Incentivisation of safety improvements". 9 I will just read that paragraph: 10 "As referred to in section 6.1 one of the 11 recommendations from the Greater London Assembly 12 Transport Committee was 'Revise its senior staff bonus 13 scheme to introduce a direct link between bus safety and 14 performance-related payments'. Also, within the body of 15 the report, there is a recommendation that 'TfL's 16 [that's Transport for London's] contracts with bus 17 operators do not incentivise safety and should be 18 revised'. During discussions with the London bus 19 operators it was clear that operators do not support the 20 direct incentivisation of safety within the route 21 agreement. Operators were concerned that direct 22 financial incentivisation might drive the wrong 23 behaviours, especially at lower levels within the 24 company, including potentially encouraging 25 underreporting. Also, operators felt that linking</p>	<p>1 against that risk. Now, that may be hard to do, but 2 that's something you've got to "suck it and see", 3 I think, try to find a system that deals with that risk. 4 As I say, our existence of a Transport Safety 5 Director as the system umpire or auditor I think is 6 a way that you can help to do that. 7 The issue of reluctant -- 8 MR DEREK CHAN: Before you go to the next issue, can I just 9 flesh out that first issue, underreporting? 10 PROF JOHN STANLEY: Sure. 11 MR DEREK CHAN: Your evidence is that the risk of 12 underreporting can be met with putting in place 13 a reliable system that ensures that the data is 14 accurately collected and recorded? Am I understanding 15 your evidence properly? 16 PROF JOHN STANLEY: Yes. That would be where I would be 17 looking for the solution and, you know, that is 18 something that you would need to work through and see 19 that you can achieve that outcome. But the intention 20 would be to use that sort of process to try and deal 21 with that problem. 22 MR DEREK CHAN: So, to some extent, provide some automation 23 in the data collection and remove the human element? 24 PROF JOHN STANLEY: That, but also maybe trying to link up 25 databases because incidents or accidents come you</p>

Page 93	Page 95
<p>1 through various sorts of channels. Those --</p> <p>2 CHAIRMAN: Yes. I am puzzling as to how one could</p> <p>3 under-report accidents, because so many different</p> <p>4 parties would be involved; it wouldn't just be -- it</p> <p>5 would be the bus driver, it would be the passenger, it</p> <p>6 might be the police, it would be ambulance. How do you</p> <p>7 under-report that?</p> <p>8 PROF JOHN STANLEY: Just thinking out loud, Chairman, we</p> <p>9 have a problem in Melbourne sometimes of children</p> <p>10 throwing rocks at buses on a freeway as the bus goes</p> <p>11 underneath. If you were the operator and you were on</p> <p>12 an incentive that's based on involvements of potentially</p> <p>13 accident-type incidents, you might decide, "We will</p> <p>14 ignore that, we won't report that", whereas in fact if</p> <p>15 it had broken the window, hit the driver, you could have</p> <p>16 killed X people.</p> <p>17 CHAIRMAN: That would be a system where your fault doesn't</p> <p>18 come into the equation. This is someone else's criminal</p> <p>19 act and you might be penalised that.</p> <p>20 PROF JOHN STANLEY: It is.</p> <p>21 CHAIRMAN: There must be ways of getting around that.</p> <p>22 PROF JOHN STANLEY: I think, when we were talking about the</p> <p>23 criteria for indicators, it needs to be something that</p> <p>24 you've got control over.</p> <p>25 CHAIRMAN: Yes.</p>	<p>1 collaborate, I think that's more to do with the problem</p> <p>2 of competitive tendering than it is to do with the</p> <p>3 challenge of safety KPIs. I think one of the things</p> <p>4 we've found is that in a competitive tendering</p> <p>5 environment, there's a general reluctance of operators</p> <p>6 to collaborate because they don't want to give away</p> <p>7 their competitive advantage, and if safety was one of</p> <p>8 your competitive advantages, then you would keep that to</p> <p>9 yourself.</p> <p>10 So I don't really get that solution. I think one of</p> <p>11 the other points that was made by the London report --</p> <p>12 and I think it's a really important point to make -- is</p> <p>13 the need for greater collaboration between the</p> <p>14 operators, and between the operators and government, on</p> <p>15 safety matters. That's something that I had</p> <p>16 a recommendation of in my second report too.</p> <p>17 CHAIRMAN: Whilst there might be a risk of lack of</p> <p>18 collaboration between operators directly -- if, for</p> <p>19 example, in the London system you have Transport for</p> <p>20 London as the government side of things -- the fact that</p> <p>21 one operator, for example, because he's using</p> <p>22 Mobileye 6, has reduced the front and rear shunts in</p> <p>23 accidents, that would be something that the bus</p> <p>24 authority would pick up and be able to say, "We've had</p> <p>25 some striking results from operator A", and they would</p>
Page 94	Page 96
<p>1 PROF JOHN STANLEY: So I think you've nailed that one well.</p> <p>2 Thank you.</p> <p>3 CHAIRMAN: I think, if my memory is correct, the 42</p> <p>4 components of the London assessment contain the fact of</p> <p>5 the bus driver being abused. How on earth that should</p> <p>6 redound to the detriment of the bus company is difficult</p> <p>7 to understand.</p> <p>8 PROF JOHN STANLEY: It is important information to have, but</p> <p>9 it's not something that you would want to be judging</p> <p>10 a safety penalty on.</p> <p>11 I think this needs some really creative thinking,</p> <p>12 Mr Chan. This is not easy. But, you know, if you are</p> <p>13 looking at it as an alternative to safety duties and</p> <p>14 chain of responsibility, then I think the challenge</p> <p>15 needs to be tackled to make sure you don't encourage</p> <p>16 underreporting.</p> <p>17 If I could deal with the second issue.</p> <p>18 MR DEREK CHAN: Sorry, I interrupted you there. Please</p> <p>19 continue to deal with the second issue.</p> <p>20 PROF JOHN STANLEY: I think, in a competitive tendering</p> <p>21 situation, if you are an operator who has good safety</p> <p>22 processes, you would think the inclination would be that</p> <p>23 you would use that to back your pitch, and you probably</p> <p>24 would not share information with other operators.</p> <p>25 So I'm not quite sure about this. A reluctance to</p>	<p>1 disseminate that information to the other bus operators?</p> <p>2 PROF JOHN STANLEY: You would hope so, Chairman. You would</p> <p>3 hope so. In fact, in a situation where you've got</p> <p>4 incentives and penalties, they can all put in the same</p> <p>5 technologies and all get a benefit from it.</p> <p>6 CHAIRMAN: Yes.</p> <p>7 PROF JOHN STANLEY: So I find that point a bit hard to</p> <p>8 understand, the second point.</p> <p>9 CHAIRMAN: Yes, Mr Chan.</p> <p>10 MR DEREK CHAN: So that's the incentive to the operator</p> <p>11 side.</p> <p>12 Can I see if I can test the possibility of the</p> <p>13 further benefit of incentivising safety. So would</p> <p>14 a safety performance-related penalty/bonus system also</p> <p>15 have the potential to motivate the government to monitor</p> <p>16 safety-related performance indicators more closely,</p> <p>17 because there is now an additional focus and financial</p> <p>18 consequence that relates specifically to safety?</p> <p>19 PROF JOHN STANLEY: You would expect that that would be one</p> <p>20 of the consequences of this process, particularly if, as</p> <p>21 I said earlier, there's quite a task to be gone through</p> <p>22 first in actually devising what those incentives and</p> <p>23 penalties are going to look like.</p> <p>24 So the authority, the Transport Department, if you</p> <p>25 like, has to involve itself in a pretty deep and</p>

Page 97	Page 99
<p>1 meaningful conversation with the franchised bus 2 operators in the development of those KPIs, which brings 3 up questions of how you would do that monitoring in the 4 process, and that's likely to therefore vest in a much 5 more rigorous process of monitoring and assessment. 6 MR DEREK CHAN: Yes, Professor. I am going to move on now 7 to a different topic, and that is the topic of 8 accreditation. 9 PROF JOHN STANLEY: (Nodded head). 10 MR DEREK CHAN: In the general sense, I understand from your 11 report that bus operator accreditation forms a central 12 part of bus safety in Melbourne. Basically, a bus 13 operator cannot operate unless it is first accredited, 14 and there is a possibility of that accreditation being 15 taken away. 16 Can I go to two places in your report where you talk 17 about that, to start off the topic. 18 The first page I would invite you to go to is page 9 19 of your first report. So that's expert bundle page 9. 20 Again, I introduce the topic by reading out the 21 first three full paragraphs of page 9: 22 "Bus operator accreditation, as a programme, was 23 intended to ensure that a person could provide a safe, 24 efficient and effective bus service. It started with 25 three elements:</p>	<p>1 particularly receptive to the development of this safety 2 agenda at the time of its inception." 3 So, as I understand it, the accreditation system 4 focuses on the general running of the bus operation, of 5 which safety forms part? 6 PROF JOHN STANLEY: (Nodded head). 7 MR DEREK CHAN: Now, I see a reference to the importance of 8 management information systems and maintenance 9 management systems in this accreditation programme. On 10 those two topics, can I invite you to go to page 25 of 11 this report, which refers back to those systems. 12 At the bottom full paragraph of page 25, I will just 13 read the first half of the bottom paragraph: 14 "BusVic has played a very active role in 15 establishing the implementing bus operator accreditation 16 in Victoria. For example, it has contributed 17 substantially to course content in the Monash University 18 training programme that accredited operators must 19 complete. Importantly, it has developed template 20 responses to the requirements for management information 21 systems (MIS) and maintenance management systems (MMS), 22 based on ISO 39001, which should enable its members to 23 develop and implement safety risk management systems 24 that meet the requirements of the accreditation regime, 25 provided they are diligently applied."</p>
Page 98	Page 100
<p>1 1. A transport management course for bus and coach 2 operators run by Monash University, the scope of which 3 depended on the type of service an operator wanted to 4 provide. One senior representative of each contracted 5 route service operator needed to complete the course, 6 which included four units, one of which was 'safety risk 7 management for bus operators', but also included units 8 on the legal/regulatory framework, financial management 9 and business development. 10 2. Management information systems. 11 3. Maintenance management systems. 12 As discussed in section 3.3 below, these three 13 elements remain as key regulatory requirements for 14 accredited route bus operators. The safety focus of 15 accreditation more broadly has been 16 substantially enhanced over the decade or so since 17 inception, to focus increasingly on building what can be 18 best described as a safety risk management culture, as 19 discussed in section 3.3. 20 The bus operator accreditation system forms a major 21 focus of this report because the author sees it as 22 potentially the single most significant point of 23 difference between the Melbourne safety regime and that 24 in Hong Kong. As elaborated above, the institutional 25 setting of Victorian route bus operation was</p>	<p>1 Now, I see the link between the accreditation system 2 and ISO 39001, to which I will come back. But, firstly, 3 can you describe generally what you see as the major 4 advantages for bus operator accreditation that relate 5 specifically to safety? 6 PROF JOHN STANLEY: Bus operator accreditation in Melbourne 7 is very much about safety. Essentially, that's the 8 fundamental rationale that sits behind the operation of 9 the accreditation system. It's really about ensuring 10 that the operator can provide a safe service, and it's 11 no surprise then that the accreditation is provided by 12 the Transport Safety Director. So the Transport Safety 13 Director is the person who has to say, "Yes, this person 14 can be an accredited operator", which then means they 15 are eligible to have a contract with the government. 16 And the maintenance management system and the 17 management information system, the scope of those two 18 systems is in fact determined by the Transport Safety 19 Director. So, under the relevant legislation -- and 20 I think I may have referred to the clauses somewhere in 21 my submission -- the Transport Safety Director tells the 22 operators what they need to -- what he's expecting to 23 see or they are expecting to see, in terms of their 24 maintenance management systems and management 25 information systems.</p>

Page 101	Page 103
<p>1 I've referred in my evidence to some of the</p> <p>2 documents. For example, this is "Maintenance Management</p> <p>3 Systems: For Accredited Bus Operators"; "Management</p> <p>4 Information Systems: For Accredited Bus Operators";</p> <p>5 "Managing the Risks to Bus Safety" -- these are</p> <p>6 publications by the Transport Safety Director which are</p> <p>7 intended, firstly, to leave operators in no doubt as to</p> <p>8 what is expected of them if they are to become</p> <p>9 accredited, but it also helps them through the process</p> <p>10 of meeting those requirements. And then the Bus</p> <p>11 Association, as I have referred in the bit that you've</p> <p>12 got highlighted on the screen, has actually developed</p> <p>13 template responses for its members to go through and</p> <p>14 customise, to meet the expectations of those maintenance</p> <p>15 management systems and management information systems.</p> <p>16 The larger operators do a lot of particular</p> <p>17 tailoring of that to their own circumstances, but for</p> <p>18 some of the smaller operators those templates may get</p> <p>19 them almost all the way there.</p> <p>20 MR DEREK CHAN: Please correct me if I am wrong, but my</p> <p>21 understanding is that the accreditation system, insofar</p> <p>22 as the safety aspects are concerned, focuses a lot on</p> <p>23 the risk management, and the setting up and running of</p> <p>24 systems to ensure safety.</p> <p>25 Now, what I'm interested in is the comparison of</p>	<p>1 difference that you would also need to think about is</p> <p>2 the role of the Transport Safety Director, what</p> <p>3 mechanism you use, if you like, to assure compliance, as</p> <p>4 it particularly applies to bus operations in Hong Kong.</p> <p>5 So you would have the accreditation authority that does</p> <p>6 the ISO accreditation or certification, if you like,</p> <p>7 being sure that its expectations were met.</p> <p>8 We don't have that, but we've got something like</p> <p>9 that, but we do also, though, have this Transport Safety</p> <p>10 Director who, in a sense, is the guardian of the system.</p> <p>11 So I would be looking to say, if you are going to do</p> <p>12 that, I think it's a really good idea.</p> <p>13 I would think about, then, is there a role as well</p> <p>14 for somebody like the Transport Safety Director as</p> <p>15 an independent and accountable guardian, if you like, of</p> <p>16 system safety.</p> <p>17 MR DEREK CHAN: Yes. In Melbourne that guardian of system</p> <p>18 safety, ensuring that the operator has the appropriate</p> <p>19 risk management systems in place, would be the Transport</p> <p>20 Safety Director?</p> <p>21 PROF JOHN STANLEY: Correct.</p> <p>22 MR DEREK CHAN: In an ISO 39001 context, that task would</p> <p>23 fall on the accreditation company to perform the annual</p> <p>24 audits?</p> <p>25 PROF JOHN STANLEY: Yes.</p>
Page 102	Page 104
<p>1 that focus to ISO 39001. We've already seen a reference</p> <p>2 to 39001 in this paragraph. Can I also take you to your</p> <p>3 second report at page 78 of the expert bundle. I'm</p> <p>4 looking at the paragraph in about the middle of the</p> <p>5 page, just above the heading "Bus Captain Training".</p> <p>6 Again, I will just read it out and ask you questions on</p> <p>7 it:</p> <p>8 "Final Transport Department" -- and I think that's</p> <p>9 a reference to the Transport Department in Hong Kong --</p> <p>10 "Road Traffic Management System, pointing out that this</p> <p>11 has been adopted by some fleet management companies and</p> <p>12 logistics companies but is not commonly adopted by the</p> <p>13 Transport Authority. It is noted in the first report on</p> <p>14 the current project that Victoria's operator</p> <p>15 accreditation system mirrors ISO 39001, and all route</p> <p>16 bus operators must achieve accreditation, but does not</p> <p>17 involve formal certification under that standard."</p> <p>18 Now, my question is this. In the Hong Kong context</p> <p>19 where we do not have an accreditation system and we do</p> <p>20 not yet have competitive tendering, would requiring bus</p> <p>21 operators to achieve ISO 39001 have the same type of</p> <p>22 benefits on safety that can arise under the Melbourne</p> <p>23 accreditation system?</p> <p>24 PROF JOHN STANLEY: You would expect that that would take</p> <p>25 you a fair distance in that direction. I think the</p>	<p>1 MR DEREK CHAN: So that they can have the certification?</p> <p>2 PROF JOHN STANLEY: Yes.</p> <p>3 MR DEREK CHAN: Mr Chairman, I'm about to move on to the</p> <p>4 next topic of a standing committee on bus safety. Would</p> <p>5 that be a convenient moment?</p> <p>6 CHAIRMAN: Yes, certainly.</p> <p>7 Professor, we will adjourn now for our lunch break,</p> <p>8 and we will resume again at 2.30 this afternoon.</p> <p>9 PROF JOHN STANLEY: Thank you, Chairman.</p> <p>10 (12.57 pm)</p> <p>11 (The luncheon adjournment)</p> <p>12 (2.30 pm)</p> <p>13 CHAIRMAN: Good afternoon.</p> <p>14 Yes, Mr Chan.</p> <p>15 MR DEREK CHAN: Thank you, Mr Chairman.</p> <p>16 Prof Stanley, I am about to move on to the next</p> <p>17 topic. That is the standing committee on bus safety,</p> <p>18 and also the Transport Safety Director. I'm going to</p> <p>19 deal with these together.</p> <p>20 You have already talked about, this morning, the</p> <p>21 role of the Transport Safety Director in enforcing the</p> <p>22 chain of responsibility and duties arising under the</p> <p>23 ordinance. So I will be focusing on this different</p> <p>24 aspect, if I may.</p> <p>25 I am going to look at these two recommendations in</p>

Page 105	Page 107
<p>1 the context of being able to promote a more proactive 2 approach to safety and issues, rather than a reactive 3 approach.</p> <p>4 Can I start first by going to places in your report 5 where you talk about these two recommendations. Can 6 I start first with going to page 100 of the expert 7 bundle, where you set out your main recommendations in 8 bold, in about the middle of the page.</p> <p>9 The second bullet point there talks about your 10 recommendation for "the creation of the independent 11 position of Transport Safety Director, whose role is to 12 be responsible for administering matters related to 13 safety duties, ensuring compliance and enforcement".</p> <p>14 So that is the context in which you are recommending 15 a Transport Safety Director, in the context of the 16 recommendation about setting out duties and chain of 17 responsibility and that sort of thing.</p> <p>18 But what I am also interested in is an observation 19 that you made at the bottom of page 99, so the previous 20 page of the expert bundle. At the bottom of page 99, 21 you say:</p> <p>22 "The independence of the Transport Safety Director 23 both elevates safety as a desirable policy outcome and 24 provides an independent source of accountability and 25 transparency on safety processes and outcomes that</p>	<p>1 planning of transport in Victoria. So it created 2 an organisation, essentially, to be the peak policy 3 body, and then it created two agencies in terms of where 4 public transport is going that in fact are responsible, 5 if you like, for various elements of system planning.</p> <p>6 The first one is Public Transport Victoria, who are 7 essentially the contract administrator and the system 8 planner. But it also created the independent position 9 of Transport Safety Director and Transport Safety 10 Victoria, because it wanted to put a significant focus 11 on safety improvement in the transport space, and it 12 felt that to do that, creating a separate entity with 13 a statutory duty to perform that role, was probably the 14 strongest way to do it.</p> <p>15 An alternative, for example, might be to just make 16 that another responsibility of the public transport 17 agency, but I think the feeling at the time was that 18 safety is sufficiently important to benefit from 19 an independent, more arm's length approach, and so that 20 was the reason, I think, that it was done in that way.</p> <p>21 CHAIRMAN: What support does he have to discharge his 22 duties?</p> <p>23 PROF JOHN STANLEY: He has his own organisation with 24 a staff, I don't know the actual number, but they have 25 research staff; they have staff who do field audits, for</p>
Page 106	Page 108
<p>1 exceed what is likely to result if ... bus safety was 2 left solely to the public transport regulatory agency 3 and/or a governmental department to manage. The 4 Transport Safety Director's audit processes and industry 5 engagement has led the agency to the conclusion that 6 Melbourne's route bus services and practices are safe 7 and that the safety focus should be on developing 8 a proactive and forward-looking safety ... management 9 culture, as distinct from practices that react to safety 10 concerns after they happen."</p> <p>11 So that's the context of the safety director. In 12 the same vein, can I then take you to the passage in 13 your report where you talk about the standing committee 14 on bus safety as another recommendation of yours. For 15 that, can I please take you to --</p> <p>16 CHAIRMAN: Before we move on, could you help us understand 17 a bit more about the independent Transport Safety 18 Director?</p> <p>19 PROF JOHN STANLEY: Yes, Chair.</p> <p>20 CHAIRMAN: What support services does he have? Who is he? 21 Where does he come from?</p> <p>22 PROF JOHN STANLEY: He was a position created by the 23 Transport Integration Act, which is a 2010 act of the 24 Victorian Parliament, that essentially reorganised a lot 25 of the institutional arrangements for delivery and</p>	<p>1 example.</p> <p>2 I'm guessing -- I'm simply guessing -- their staff 3 numbers are probably around about 30 or 40, but I'll 4 come back to you with an answer on that.</p> <p>5 CHAIRMAN: Thank you.</p> <p>6 What qualifications does he have, the occupant at 7 the moment?</p> <p>8 PROF JOHN STANLEY: He is an expert in safety risk 9 management, I think in aviation was his experience 10 background. So, essentially, because the focus has been 11 on safety risk management, I think the feeling was that 12 he would be a good person to come into that space and 13 apply those lessons, if you like, that he had been 14 learning and applying in the aviation field into the 15 land transport area.</p> <p>16 CHAIRMAN: And land transport encompasses buses, trains, 17 trams?</p> <p>18 PROF JOHN STANLEY: Yes, but he's also -- he's the director 19 of bus safety as well.</p> <p>20 CHAIRMAN: Thank you.</p> <p>21 MR DEREK CHAN: So does the government still have any role 22 to play in mandating safety behaviour, or is that all 23 down to the Transport Safety Director?</p> <p>24 PROF JOHN STANLEY: I'm sorry, could you repeat that?</p> <p>25 MR DEREK CHAN: Does the government still have a role to</p>

Page 109	Page 111
<p>1 play in ensuring bus safety, or is that all left to the</p> <p>2 Transport Safety Director?</p> <p>3 PROF JOHN STANLEY: No, the government's role is essentially</p> <p>4 in setting the policy framework and attaching the</p> <p>5 priority to safety, and then it's the safety director's</p> <p>6 role to in fact implement and deliver on that policy</p> <p>7 objective for government.</p> <p>8 I included, I think it was in my second report,</p> <p>9 a diagram that compared the structure of arrangements,</p> <p>10 at page 71, in Hong Kong and Melbourne. I split that up</p> <p>11 into three categories, which we often use to talk about</p> <p>12 institutional design: strategic or policy level,</p> <p>13 tactical or system design level, and the operational</p> <p>14 level. And in terms of the way that Hong Kong's</p> <p>15 organised and the way Melbourne's organised, you have</p> <p>16 your Transport and Housing Bureau at the policy level;</p> <p>17 we have an organisation called Transport for Victoria.</p> <p>18 At the operational level, you have franchised bus</p> <p>19 operators and we have contracted bus operators. Then in</p> <p>20 the middle, you have the Transport Department; we have</p> <p>21 Public Transport Victoria but we also have Transport</p> <p>22 Safety Victoria, and probably in terms of institutions,</p> <p>23 that's perhaps the biggest gap or the biggest difference</p> <p>24 between the two sets of arrangements.</p> <p>25 MR DEREK CHAN: Along the same vein --</p>	<p>1 MR DEREK CHAN: Turning, if I may, then to the</p> <p>2 recommendation on the standing committee, which is at</p> <p>3 page 94 of the expert report. At the bottom of page 94,</p> <p>4 at point 6, you recommend establishing "a standing</p> <p>5 committee on bus safety", and you suggest "meeting at</p> <p>6 least twice yearly to review and evaluate the latest</p> <p>7 technology that may impact on bus safety, particularly</p> <p>8 for route bus operation, and advise government on</p> <p>9 desirable safety inclusions in the franchised bus fleet</p> <p>10 and other bus systems. The newly formed Working Group</p> <p>11 on Enhancement of Franchised Bus Safety could form the</p> <p>12 basis for this committee but membership should be</p> <p>13 broadened to include other bus operators."</p> <p>14 Again, do I understand it correctly that both these</p> <p>15 approaches -- a standing committee on bus safety and</p> <p>16 a transport director -- would assist in promoting</p> <p>17 a proactive approach to bus safety issues?</p> <p>18 PROF JOHN STANLEY: Mr Chan, I believe that's the case, yes.</p> <p>19 The standing committee is really about trying to ensure</p> <p>20 there is an ongoing dialogue between the respective</p> <p>21 parties who have an influence in this bus safety area,</p> <p>22 such as the bus manufacturers, the after-market</p> <p>23 equipment providers, the government, the universities</p> <p>24 that have a role in this place as well. It is really</p> <p>25 about trying to have a mechanism for collaboration which</p>
Page 110	Page 112
<p>1 CHAIRMAN: If you will excuse me, I have a nose bleed so I'm</p> <p>2 going to adjourn for a short while. Excuse me.</p> <p>3 (2.39 pm)</p> <p>4 (A short adjournment)</p> <p>5 (2.50 pm)</p> <p>6 CHAIRMAN: Apologies for the interruption, but I think</p> <p>7 normal services have been restored.</p> <p>8 Yes, Mr Chan.</p> <p>9 MR DEREK CHAN: Thank you, Mr Chairman.</p> <p>10 Professor, just before the break, you were comparing</p> <p>11 the institutional structure in Melbourne and contrasting</p> <p>12 that with Hong Kong, and the observation being that</p> <p>13 Hong Kong does not have a dedicated safety department or</p> <p>14 body.</p> <p>15 Along that same vein, at page 70 of the report,</p> <p>16 which is the previous page from this chart, in the third</p> <p>17 full paragraph you made some observations about the</p> <p>18 Hong Kong system, and in the last sentence you make the</p> <p>19 remark that:</p> <p>20 "However, the absence of an independent safety</p> <p>21 regulator in Hong Kong seems likely to lessen the</p> <p>22 relative focus on safety matters."</p> <p>23 Is that the point that you were making before, about</p> <p>24 the benefits of having such an independent regulator?</p> <p>25 PROF JOHN STANLEY: Yes.</p>	<p>1 I also noted was an important point made by Mr Weston</p> <p>2 about the London arrangements. We have those kinds of</p> <p>3 arrangements at the national level in particular in</p> <p>4 Australia as part of the process, going through the</p> <p>5 National Heavy Vehicle Law, and it's working out in</p> <p>6 relation to bus. That's been a good way of "open door"</p> <p>7 all the way through and making sure there is knowledge</p> <p>8 throughout the field about what is possible.</p> <p>9 I noticed in some of the evidence that was</p> <p>10 submitted, oral evidence to this committee, one of the</p> <p>11 smaller operators, franchised bus operator, commenting</p> <p>12 that perhaps he or she didn't have the information about</p> <p>13 some of the technologies that they might have liked to</p> <p>14 have had. This is really about trying to make sure that</p> <p>15 everybody's got access to a lot of the better</p> <p>16 information on a reasonably prompt basis so that you're</p> <p>17 actually ahead of the game rather than responding once</p> <p>18 an accident's happened.</p> <p>19 CHAIRMAN: So this is to be proactive rather than reactive?</p> <p>20 PROF JOHN STANLEY: Yes, Chair --</p> <p>21 CHAIRMAN: Which is perhaps what this working group is,</p> <p>22 reacting?</p> <p>23 PROF JOHN STANLEY: Yes. I think if you get a major</p> <p>24 catastrophe of the kind you had here in February, you</p> <p>25 can expect some kind of reaction.</p>

Page 113	Page 115
<p>1 CHAIRMAN: Reaction is better than no action.</p> <p>2 PROF JOHN STANLEY: Indeed.</p> <p>3 CHAIRMAN: And best of all is proaction.</p> <p>4 PROF JOHN STANLEY: That's really where I'm seeing this</p> <p>5 going, that you use that as a basis to grow into a more</p> <p>6 proactive approach, which could emerge from the working</p> <p>7 group, but in my view it needs to have a wider</p> <p>8 membership. I note that the working group started with</p> <p>9 a relatively narrow range of issues that it was going to</p> <p>10 look at, and that, I think, again is perfectly</p> <p>11 understandable, in view of the reaction to the February</p> <p>12 situation, for example.</p> <p>13 But, going forward, at least to stand back from that</p> <p>14 and say what are the most significant areas that we can</p> <p>15 make enhancements, and I've talked here particularly</p> <p>16 about technology, because I also think that you need to</p> <p>17 focus much more on the working/driving/fatigue question</p> <p>18 and dealing with that as well, so this is particularly</p> <p>19 focused on bus safety, on the technology side.</p> <p>20 CHAIRMAN: When you say "include other bus operators", all</p> <p>21 of the franchised bus operators are members of the</p> <p>22 working group.</p> <p>23 PROF JOHN STANLEY: Yes. I'm thinking about the smaller bus</p> <p>24 operators as well, not just the big ones.</p> <p>25 CHAIRMAN: Not the franchised bus operators?</p>	<p>1 conversations, not just at the big end of town.</p> <p>2 CHAIRMAN: The working group does not include any</p> <p>3 representatives of unions. Do you have any suggestions</p> <p>4 or views on that, for the proposed standing committee?</p> <p>5 PROF JOHN STANLEY: Prima facie, I would be in favour of</p> <p>6 that. That would be certainly part of the way we would</p> <p>7 approach this in Australia.</p> <p>8 CHAIRMAN: Thank you.</p> <p>9 MEMBER LO: Is the standing committee advisory, or does it</p> <p>10 have any statutory power to enforce implementation?</p> <p>11 PROF JOHN STANLEY: Prof Lo, no. I see this as being</p> <p>12 an advisory committee to government, in particular to</p> <p>13 the responsible minister, but it wouldn't have powers of</p> <p>14 those kinds.</p> <p>15 But ideally, it's findings, it's deliberations, any</p> <p>16 research that it supports would all be made public.</p> <p>17 MEMBER LO: So what difference does it make if, let's say,</p> <p>18 our Transport Department has a division or a branch</p> <p>19 called transport safety, versus what you have in</p> <p>20 Victoria, where it's a separate, parallel agency or</p> <p>21 body? What difference does it make?</p> <p>22 PROF JOHN STANLEY: They are different roles. The Transport</p> <p>23 Safety Director, his role is essentially to do with</p> <p>24 implementation of particular legislation. This standing</p> <p>25 committee idea is about trying to improve knowledge and</p>
Page 114	Page 116
<p>1 PROF JOHN STANLEY: Well, they would be franchised, but not</p> <p>2 the big ones, the one who run the minibuses and so on.</p> <p>3 CHAIRMAN: I see. We use the term "franchised buses" to</p> <p>4 describe the six franchises and the five franchised bus</p> <p>5 operators. They were all representatives on this</p> <p>6 standing committee. But certainly minibus organisations</p> <p>7 were no part of it. Do you have in mind including them?</p> <p>8 PROF JOHN STANLEY: I do, Chair. They are a significant</p> <p>9 part of your market. My recollection is it's 1.5 or</p> <p>10 2 per cent, in terms of millions of passengers per day,</p> <p>11 compared to 4 million with the franchised bus</p> <p>12 operations. So they are significant in the marketplace,</p> <p>13 and I think they also need to be a part of this process,</p> <p>14 because if someone is going to catch a bus, any bus, it</p> <p>15 seems to me they have the right to expect the same level</p> <p>16 of safety, no matter who is providing that service.</p> <p>17 CHAIRMAN: But, as you will perhaps be aware, we impose</p> <p>18 different safety features on minibuses compared with our</p> <p>19 franchised buses.</p> <p>20 PROF JOHN STANLEY: Yes. That doesn't mean that the</p> <p>21 conversation about what is the best technology that's</p> <p>22 available for those different categories of vehicle is</p> <p>23 not a conversation that should be had. That would be</p> <p>24 the point I'm making, that the floor needs to be lifted</p> <p>25 across the board if you are going to have these</p>	<p>1 awareness and understanding across the industry of the</p> <p>2 sorts of technologies that are available, so that they</p> <p>3 are in people's minds, when they are going through</p> <p>4 vehicle purchase decisions, for example. You know, this</p> <p>5 is about awareness raising, collaboration, trying to</p> <p>6 develop a stronger industry level understanding, as</p> <p>7 distinct from implementing an administrative mechanism</p> <p>8 to ensure that legislation is meeting its purposes.</p> <p>9 MEMBER LO: I guess my question is why you want a separate</p> <p>10 transport safety as a separate entity, rather than part</p> <p>11 of public transport?</p> <p>12 PROF JOHN STANLEY: Public transport, or in your case the</p> <p>13 Transport Department, have multiple purposes that they</p> <p>14 try to achieve, and safety is one of those but it is</p> <p>15 only one. It's the question of the priority that you</p> <p>16 put on safety, whether you are happy to see it dealt</p> <p>17 with at that level, where it might get put down at</p> <p>18 a lower level of priority than operating commercially,</p> <p>19 for example. I'm not saying that's happening. But I'm</p> <p>20 simply saying that if an authority has multiple</p> <p>21 objectives, then it gets involved in doing trade-offs</p> <p>22 that may mean that safety suffers.</p> <p>23 If you think safety is a serious issue, then the</p> <p>24 best chance of elevating it in a priority sense for</p> <p>25 treatment, I think, is to give it a separate entity,</p>

Page 117	Page 119
<p>1 responsible for looking after its administration.</p> <p>2 CHAIRMAN: Separate and independent?</p> <p>3 PROF JOHN STANLEY: Especially independent, Chair.</p> <p>4 MR DEREK CHAN: Just now, Professor, you talked about the</p> <p>5 scope of the working group as well. Perhaps I can put</p> <p>6 that in context by going to actually the document that</p> <p>7 shows what the scope of the working group is.</p> <p>8 Can I refer you to KMB-12, page 4867. Here, we have</p> <p>9 the document which tells us the scope of work of the</p> <p>10 Working Group on Enhancement of Safety of Franchised</p> <p>11 Buses. In the first paragraph, it says that the working</p> <p>12 group was set up after a traffic accident involving --</p> <p>13 CHAIRMAN: Perhaps you could put this document in context.</p> <p>14 MR DEREK CHAN: Yes. This document is an annexure to the</p> <p>15 minutes of the first meeting of this particular working</p> <p>16 group, and the first page of the document is at</p> <p>17 page 4859, and it's the notes of first meeting of the</p> <p>18 group.</p> <p>19 CHAIRMAN: Was the starting point not an agenda, which was</p> <p>20 issued on 12 March?</p> <p>21 MR DEREK CHAN: Yes.</p> <p>22 CHAIRMAN: I would like you to be familiar with the</p> <p>23 chronology of what was involved in the setting up of</p> <p>24 this group, the speed at which it met, and the speed at</p> <p>25 which it made decisions, because I would like your views</p>	<p>1 CHAIRMAN: Perhaps for purposes of the transcript you could</p> <p>2 read out passages that are relevant to the questions you</p> <p>3 are going to ask from this "scope of work" document.</p> <p>4 MR DEREK CHAN: Yes. The first paragraph of this document</p> <p>5 says:</p> <p>6 "After a traffic accident involving a bus of Kowloon</p> <p>7 Motor Bus Co Ltd took place on Tai Po Road on</p> <p>8 10 February 2018, a working group is proposed to be set</p> <p>9 up to review and study measures to further enhance bus</p> <p>10 safety."</p> <p>11 So, Professor, the first point to note is that the</p> <p>12 working group is reactive to a serious accident</p> <p>13 happening. And the scope of the working group</p> <p>14 includes -- the first item is about enhancing training</p> <p>15 arrangements; the second item is about seat belts; and</p> <p>16 the third item is to explore technical feasibility,</p> <p>17 cost-effectiveness, applicability and other issues</p> <p>18 relating to installation of on-vehicle safety devices.</p> <p>19 Professor, in the context of a proactive approach,</p> <p>20 would you expect these issues to be discussed in</p> <p>21 advance, or rather as a reaction to an accident</p> <p>22 happening?</p> <p>23 PROF JOHN STANLEY: These are the sorts of things that would</p> <p>24 come up as a matter of course on the agenda of a</p> <p>25 proactive set of circumstances. But given the situation</p>
Page 118	Page 120
<p>1 on that, in the context of the benefits of proactive as</p> <p>2 opposed to reactive decisions.</p> <p>3 We were given the agenda at an early stage by one of</p> <p>4 the bus operators, and gradually we have managed to</p> <p>5 obtain the minutes, now unredacted, are they not?</p> <p>6 MR DEREK CHAN: Yes, the minutes are now unredacted.</p> <p>7 Ms Wong has drawn my attention to the Citybus bundle</p> <p>8 at page 588.</p> <p>9 CHAIRMAN: Is that CTB-1, 1A, or B?</p> <p>10 MR DEREK CHAN: CTB-3.</p> <p>11 CHAIRMAN: Just put it on the screen, if you would.</p> <p>12 MR DEREK CHAN: Page 588.</p> <p>13 What we see on the screen is the agenda for the</p> <p>14 first meeting of the working group to be held on</p> <p>15 13 March 2018, and part of the agenda was the discussion</p> <p>16 of the scope of works --</p> <p>17 CHAIRMAN: Does this document have a date other than the one</p> <p>18 at the top, 13 March?</p> <p>19 MR DEREK CHAN: This document itself does not have a date.</p> <p>20 CHAIRMAN: Thank you. My memory was incorrect then. So</p> <p>21 13 March is when the agenda comes into being, but that</p> <p>22 also is the first meeting, and that's what you were</p> <p>23 taking us to at 4867, is it not?</p> <p>24 MR DEREK CHAN: Yes, 4867 is a document that defines the</p> <p>25 scope of the working group.</p>	<p>1 at the time and the concerns around, you can understand</p> <p>2 these sorts of issues being put on the agenda</p> <p>3 straightaway, recognising that it is reactive, but you</p> <p>4 can't do much else in that circumstance, but going</p> <p>5 forward, you would want to have this stuff on the agenda</p> <p>6 on an ongoing basis so that you are ahead of the</p> <p>7 problems.</p> <p>8 MR DEREK CHAN: In a committee that is adopting a proactive</p> <p>9 approach, would you expect the scope of the committee to</p> <p>10 cover other aspects of bus safety, in addition to the</p> <p>11 three mentioned here?</p> <p>12 PROF JOHN STANLEY: Certainly. I think I have suggested in</p> <p>13 my report that you have a technology-oriented committee,</p> <p>14 but another one also focusing on training, which is the</p> <p>15 first point there. But I think the technology committee</p> <p>16 could really write its own agenda in terms of what are</p> <p>17 the forward-looking initiatives we are going to see and</p> <p>18 should anticipate and plan for that will be most</p> <p>19 effective in terms of improving bus safety.</p> <p>20 Now, there are a range of measures that are listed</p> <p>21 here. The European process that they are going through</p> <p>22 at the moment to look at their next set of mandatory</p> <p>23 requirements has other elements as well that it's</p> <p>24 including. I would imagine that your proactive,</p> <p>25 forward-looking committee would be all over that sort of</p>

Page 121	Page 123
<p>1 European agenda and assessing its relevance to Hong Kong 2 going forward, for example.</p> <p>3 There were some notes at the back of my first report 4 on some of the elements in that ongoing European agenda. 5 I just wrote them as notes for your information. But 6 they are the kinds of issues, for example, the kinds of 7 technologies, that you would expect a forward-looking 8 committee would be looking at and saying, "Have these 9 got a role in Hong Kong now? Will they have a role in 10 Hong Kong in three years' time?", with all the key 11 players being at the table.</p> <p>12 CHAIRMAN: So you would expect such a proactive committee to 13 be examining what others are doing in other 14 jurisdictions?</p> <p>15 PROF JOHN STANLEY: Absolutely, Chair.</p> <p>16 CHAIRMAN: And you mention the European Union as an example 17 but we also know, because we have a report from 18 Mr Weston, that that has been underway in London as 19 well, for Transport for London?</p> <p>20 PROF JOHN STANLEY: Indeed. Transport for London have a lot 21 of investigations for themselves. Their Standard Bus, 22 I think they call it, looks a really good initiative to 23 me. But at the end of the day, 24 London/Hong Kong/Europe/Australia, we all tend to get 25 caught up in the UNECE standards.</p>	<p>1 falling over themselves with delight at the opportunity 2 to participate in a process like this, if you think 3 about the Volvos, the Scania's, and so on; they have got 4 a lot to contribute to this process and I'm sure would 5 be delighted at the opportunity to be involved in 6 an ongoing basis with that sort of deliberation.</p> <p>7 CHAIRMAN: Thank you.</p> <p>8 MR DEREK CHAN: Moving on, if I may, Professor, to the next 9 topic I want to cover with you, and that's the issue of 10 seat belts. We saw from the working group agenda just 11 now that installation of seat belts or retrofitting seat 12 belts was a major item on their agenda. Can I start 13 with this question: are seat belts required to be 14 installed --</p> <p>15 CHAIRMAN: Just pause for a moment. The reference to seat 16 belts at 4867 is not in either the context of 17 retrofitting or fitting on new buses. It's general, is 18 it not?</p> <p>19 MR DEREK CHAN: Yes.</p> <p>20 CHAIRMAN: "The installation of seat belts on all seats".</p> <p>21 MR DEREK CHAN: Yes, the discussion started with 22 installation of seat belts on all seats, and I will show 23 you in a moment the documents that show the progression 24 of the discussion to a point where the retrofitting 25 issue arises.</p>
Page 122	Page 124
<p>1 CHAIRMAN: Transport for London are going to promulgate 2 a bus safety standard, which I think is the term they 3 use for it.</p> <p>4 PROF JOHN STANLEY: Yes, which is a really good initiative 5 too.</p> <p>6 CHAIRMAN: So you would expect such a committee to be 7 proactive, ongoing, monitoring what is happening in 8 other jurisdictions?</p> <p>9 PROF JOHN STANLEY: Yes, Chair, and looking in particular at 10 the kinds of safety problems that Hong Kong is facing, 11 and saying, "Which of these technologies are going to be 12 most useful here in the time frame that they might be 13 available?" And are there any areas of research that 14 need to be done for problems that we've got that maybe 15 nobody else has got to the same extent, because your 16 operating environment is pretty challenging in some 17 places.</p> <p>18 CHAIRMAN: Would you expect such a committee to not only 19 monitor remotely, as it were, what is happening in other 20 jurisdictions, but to have exchanges of personnel so 21 that such developments are discussed in person between 22 the people involved, in Hong Kong and the EU, Australia, 23 Singapore, London?</p> <p>24 PROF JOHN STANLEY: Certainly, and I think a lot of the 25 original equipment manufacturers, for example, would be</p>	<p>1 So can I just start with a general question, that is 2 are seat belts required to be installed on urban buses 3 in Australia?</p> <p>4 PROF JOHN STANLEY: No.</p> <p>5 MR DEREK CHAN: Is there a reason for that?</p> <p>6 PROF JOHN STANLEY: The belief is that the mass of the 7 vehicle itself is normally going to provide sufficient 8 occupant protection in the event of an accident, such 9 that seat belts are not going to add much more on top of 10 that. There is also a challenge with existing vehicles 11 of retrofitting and the cost of so doing.</p> <p>12 The way that we would approach this sort of question 13 in Australia -- and I don't know whether you might do 14 exactly the same thing -- is we have a process called 15 a regulatory impact statement, and if we were looking, 16 for example, to require seat belts to be mandatory on 17 route buses, that would probably need to go through the 18 process of a regulatory impact statement that would look 19 at the cost of various ways of going about undertaking 20 that work, and then do an assessment of the 21 probabilities of various sorts of incident types being 22 reduced, putting a dollar value on that, and coming up 23 with a view as the basis of that assessment. That's the 24 normal way we do this kind of assessment.</p> <p>25 CHAIRMAN: And who does the regulatory impact statement?</p>

Page 125	Page 127
<p>1 PROF JOHN STANLEY: It would be done by the relevant 2 government department. A lot of these sorts of things 3 would happen at a national level in Australia, so they 4 would be done by the National Transport Commission which 5 is the successor body to the National Road Transport 6 Commission that I was deputy chairman of for nine years. 7 We did multiple regulatory impact statements into 8 various aspects of vehicle requirements. 9 CHAIRMAN: Has such a study been done on the impact of seat 10 belts being installed on buses? 11 PROF JOHN STANLEY: I'm not sure if there's been a formal 12 one done at national level, but I know it's been looked 13 at many times at state level in terms of seat belts. 14 Probably the main pressure in Victoria that we get for 15 installation of seat belts is actually on school buses 16 in country areas, where the vehicles tend to be 17 operating at higher speed, you have younger children 18 sitting in the seats. But again that's not been 19 mandatory at all; it's not a requirement. 20 The only requirement for seat belts on our buses is 21 for coaches that are travelling interstate, usually at 22 high speed. 23 CHAIRMAN: Yes. As I understand it, that is the distinction 24 drawn in the United Kingdom. Seat belts have to be 25 provided on coaches, and the issue is speed.</p>	<p>1 may. 2 PROF JOHN STANLEY: Thank you. 3 MR DEREK CHAN: If I can start at the end, so we know where 4 the end-game is. Can I take you to TD-1, page 403. 5 Just so you know what the document is: it is 6 a document drafted by the Transport Department for 7 discussion by the Legislative Council Panel on 8 Transport. That discussion was to take place on 25 July 9 2018. 10 So this, as it were, is a summary of what the 11 working group has arrived at in terms of recommendations 12 and considerations. 13 CHAIRMAN: I think the letter on the previous page is useful 14 in explaining what it is. 15 MR DEREK CHAN: Yes. Perhaps -- 16 CHAIRMAN: You could go to that. 17 MR DEREK CHAN: Yes. Perhaps I can read that out. That's 18 a letter from the Transport Department to this 19 committee, and the Transport Department says in the body 20 of the letter: 21 "As you are aware from our previous submissions, the 22 Transport Department has set up in mid-March a Working 23 Group on Enhancement of Safety of Franchised Buses which 24 comprises members from all franchised bus operators and 25 major bus manufacturers to consider and study possible</p>
Page 126	Page 128
<p>1 PROF JOHN STANLEY: Yes. 2 MR DEREK CHAN: Just so that I understand the context of 3 that, when you talk about high speeds, interstate 4 travel, what speed do coaches travel at? 5 PROF JOHN STANLEY: These would be travelling at 6 100 kilometres per hour, most of the time. 7 MR DEREK CHAN: So that I understand the comparison being 8 drawn, are double-decker buses common in Victoria? 9 PROF JOHN STANLEY: We don't have double-decker buses 10 providing route service, but we do have a double-decker 11 bus that runs from the Melbourne CBD to the airport in 12 Melbourne and -- my wife and I were just discussing 13 during the lunch break -- we think that has seat belts. 14 In fact, Janet told me that I continually tell her to 15 put it on, so that suggests that they do. 16 MR DEREK CHAN: At what speed does the bus travel? 17 PROF JOHN STANLEY: It's mostly on a freeway so it would be 18 travelling at 100 kilometres per hour. 19 MR DEREK CHAN: What I am going to do now, Professor, if 20 I may, is just to take you to the stage at which the 21 working group has reached in terms of the considerations 22 that it has on seat belts and retrofitting seat belts. 23 Then I'm going to go back to take you to some 24 discussions leading up to that and ask for your views 25 and observations on some of the matters raised, if I</p>	<p>1 measures to further enhance bus safety. Whilst the 2 report of the working group is being compiled, the 3 findings and recommendations of the working group will 4 be reported to the Legislative Council Panel on 5 Transport at its meeting on 25 July 2018." 6 So that's the context in which this paper was 7 prepared. If I can go directly to the passage on seat 8 belts, which is at page 407, that's where the section on 9 seat belts starts, and if I may go straight to 10 paragraph 11, over the page, the Transport Department 11 notes that: 12 "As confirmed with the bus manufacturers, it is 13 technically feasible to supply all new buses with seat 14 belts for all passenger seats conforming to relevant 15 international standards. In this regard, all FB 16 operators have agreed that all passenger seats of all 17 new buses ordered from July 2018 onwards will be 18 installed with seat belts." 19 So that's in respect of new buses. 20 Paragraph 12 talks about retrofitting. I won't 21 trouble you with the details about that. The long and 22 short of it is that retrofitting seat belts on lower 23 decks was considered to be impractical or not feasible. 24 At paragraph 13: 25 "However, it should be more feasible to retrofit</p>

Page 129	Page 131
<p>1 seat belts on all passenger seats of the upper deck only 2 in some vehicle models of the existing double-deck 3 fleet. If all passenger seats on the upper deck are 4 retrofitted with seat belts, it is expected that the 5 weight of the bus will be increased by 300 to 400kg and 6 consequently the passenger-carrying capacity may need to 7 be reduced by 7 to 8 passengers." 8 So that's the consideration that has been reached at 9 this stage, just the upper deck. 10 Paragraph 14, the last sentence on that page: 11 "Some bus operators have expressed concerns that the 12 retrofitting of seat belts would not only incur 13 significant financial implication, but also considerable 14 time and manpower resources, not to mention the need to 15 redeploy or procure additional buses to maintain the 16 existing bus service level during the whole process." 17 Now, the "incur significant implication" part, 18 there's a footnote 5 to it, and if you look at the 19 bottom of the page, footnote 5: 20 "With the absence of detailed study on the technical 21 details for retrofitting seat belts on all seats in the 22 upper deck, a rough estimate on the costs of 23 retrofitting a bus is about HK\$200,000 (excluding 24 manpower and overhead costs)." 25 So that's what we are looking at.</p>	<p>1 moderate speeds on urban routes. Thus, no seat belt 2 requirement at passenger seats on these urban buses has 3 been imposed. A summary of the findings is at the 4 annex B." 5 Paragraph 16: 6 "Having regard to the points mentioned in [the 7 paragraphs above], the working group has arrived at the 8 following recommendations with a view to giving extra 9 protection to seated passengers: 10 (a) seat belts should be provided for all seats in 11 future procurement of new buses; and 12 (b) subject to further assessment on the technical, 13 operational and financial feasibility, consideration may 14 be given to retrofitting all seats in the upper deck 15 with seat belts on buses deployed for specific bus 16 routes, ie long-haul routes which are operated via 17 expressways with relatively fewer bus stops." 18 That's the Transport Department's summary of the 19 position that it has reached, so the recommendation is, 20 in terms of retrofitting, upper deck and long-haul 21 routes. 22 CHAIRMAN: Well, as qualified. 23 MR DEREK CHAN: Yes, as qualified. 24 CHAIRMAN: Long-haul routes which are operated on 25 expressways.</p>
Page 130	Page 132
<p>1 Paragraph 15 talks about overseas experience and 2 practices, and it's similar to what you have told us 3 about Melbourne. 4 CHAIRMAN: Perhaps you would be kind enough to read that 5 out, because this is relevant. 6 MR DEREK CHAN: Certainly, Mr Chairman. 7 Paragraph 15 talks about overseas experience 8 a practices: 9 "The working group has reviewed the prevailing 10 overseas practices or requirements on the installation 11 and wearing of seat belts on buses. Currently, for 12 inter-cities or cross-boundary routes, some overseas 13 jurisdictions (eg United States, United Kingdom and 14 Netherlands) have mandated the provision of seat belts 15 for all passenger seats, while others (eg United 16 Kingdom, Netherlands, and Australia (Victoria)) have 17 imposed mandatory requirement of wearing seat belts. 18 Nevertheless, for buses serving urban routes buses or 19 buses allowed to carry standing passengers, none of the 20 overseas jurisdictions that the working group has 21 reviewed thus far have statutory requirements for the 22 provision of seat belts on passenger seats. According 23 to the transport authorities of those jurisdictions, the 24 urban buses are typically used for short journeys, in 25 terms of both time and distance, and undertaken at</p>	<p>1 MR DEREK CHAN: Expressways, yes. 2 We've got examples at footnote 6 as to what those 3 expressways are expected to be, and in footnote 7, 4 according to the franchised bus operators, this would 5 apply to around 2,000 buses currently being deployed on 6 those routes. 7 What I want to do is then go to some examples -- not 8 all of them, just certain examples -- of the concerns or 9 observations made by the bus operators during 10 discussions, and then I'm also going to refer you to one 11 passage in Mr Weston's report that talks about the same 12 thing, and then I'm going to ask you for your 13 observations on this topic. 14 PROF JOHN STANLEY: Thank you. 15 MR DEREK CHAN: So if I may refer you to some of the minutes 16 of the discussions of the working group. The first one 17 that I want to take you to is at KMB-12 at page 4869-1. 18 What you should be looking at, Professor, is the 19 first page of the notes of 1st meeting held on 13 March 20 2018, and you can see the parties present at that 21 meeting on the first and second pages. On the issue -- 22 CHAIRMAN: Do we have unredacted versions of this document? 23 MR DEREK CHAN: Mr Chairman, 4869-1 ought to be unredacted 24 in my copy, and it's also unredacted on the screen copy. 25 CHAIRMAN: Thank you. I must have had the wrong page.</p>

Page 133	Page 135
<p>1 MR DEREK CHAN: I'm sorry, Chairman, 4869-1. 2 CHAIRMAN: Yes. 3 MR DEREK CHAN: If I can take you directly to the seat belt 4 passage, which is firstly at page 13. 5 CHAIRMAN: I think it's important perhaps to help 6 Prof Stanley with this: there was a division, was there 7 not, in the way in which the working group addressed 8 these issues? So the working group met generally; there 9 was then a technical group which dealt with safety 10 devices; and then there was a group that dealt with 11 training, a subgroup, I think that's called. 12 PROF JOHN STANLEY: Yes. 13 MR DEREK CHAN: And what we're looking at is the main group 14 meetings. I will be taking you to two parts in the main 15 group meetings, so we see the observations made by some 16 of the bus operators. I will also be taking you to 17 a minute of the subgroup, which includes bus 18 manufacturers, so you can see what the bus manufacturers 19 were saying on the same issue. 20 PROF JOHN STANLEY: Okay. 21 MR DEREK CHAN: If I may take you to page 4869-6, starting 22 at paragraph 13, which is a section on the installation 23 of seat belts. 24 I'm still on KMB-12, Mr Chairman. 25 CHAIRMAN: Yes. I was looking for the version, as with most</p>	<p>1 were requests for a comprehensive review on seat belts 2 installation on bus after the traffic accidents. It had 3 been more than a decade since the last review on the 4 installation of seat belts on buses. The objective of 5 the prevailing discussion should focus on the technical 6 feasibility, cost-effectiveness, applicability and other 7 issues relating to installation of seat belts on all 8 seats other than exposed seats." 9 So the two issues identified by Citybus here are the 10 enforcement issue and also those standing wouldn't have 11 the benefit of seat belts. 12 CHAIRMAN: Before you move on, if that's what you are going 13 to do, there is a statement in the notes of this meeting 14 that the TD, as they are called, the Transport 15 Department, advised that "there were requests for 16 a comprehensive review on seat belt installation on bus 17 after the traffic accident". Do we have any information 18 as to that? 19 MR DEREK CHAN: Perhaps I will have to get back to you on 20 that, Chairman. 21 CHAIRMAN: I was wrong to call it "accident" singular. It 22 says "accidents". That begs the question: from whom 23 were these requests made, to whom were they made, when 24 were they made, and in respect of which traffic 25 accident?</p>
Page 134	Page 136
<p>1 of the documents in this inquiry, I work on 2 an unpaginated version because they are given to me the 3 night before, and then I come into this hearing and 4 I have a paginated version which has none of my notes on 5 it. So I'm going to try and work from both. 6 Thank you. 7 MR DEREK CHAN: Mr Chairman, I'm looking at paragraph 13 the 8 1st meeting note. That is the section on the 9 installation of seat belts. 10 In paragraph 13, it introduced: 11 "At present, all exposed seats on franchised buses 12 have been installed with seat belts. Taking the 13 technical feasibility into account, the Transport 14 Department proposed to install seat belts on all seats 15 for new buses and retrofit seat belts on all seats on 16 the existing buses." 17 At paragraph 16: 18 "Citybus/New World First Bus queried the 19 practicability of installation of seat belts on all 20 seats to enhance passenger safety because it would be 21 difficult for the bus captains to ensure passengers on 22 buses wearing seat belts. Besides, Citybus/New World 23 First Bus also raised concerns on the need of wearing 24 seat belts by standees who could not be provided with 25 seat belts. The Transport Department advised that there</p>	<p>1 MR DEREK CHAN: Yes. It certainly calls for that to be 2 considered. Perhaps I can come back to you, 3 Mr Chairman, on that. 4 CHAIRMAN: Well, good luck. 5 MR DEREK CHAN: Anyway, that's the observations from 6 Citybus. 7 If I can take you then to a 3rd meeting. The notes 8 of the 3rd meeting are at page 4908-1, and the 3rd 9 meeting was held on 21 June 2018. Again, I am focusing 10 firstly on the main group meetings. 11 I want to focus your attention at paragraph 25 of 12 that meeting note, at page 4908-7. 13 CHAIRMAN: This is now 21 June? 14 MR DEREK CHAN: That's correct, Mr Chairman. 15 CHAIRMAN: Thank you. 16 MR DEREK CHAN: You see, Professor, at paragraph 26, that 17 the discussion about retrofitting has focused on the 18 upper deck, for the reasons that we've already covered, 19 about it being impractical to fit it on the lower deck. 20 At paragraph 26 -- I will just read it out: 21 "As for existing buses, the meeting noted that 22 retrofitting seat belts on all passenger seats of the 23 upper deck of some existing double-deck bus models 24 should be feasible. Kowloon Motor Bus/Long Win advised 25 that they would retrofit seat belts on all passenger</p>

Page 137	Page 139
<p>1 seats of the upper deck or deploy buses with seat belts 2 on all passenger seats on routes which serve long-haul 3 passengers or are operated on expressways with limited 4 boarding or alighting activities at the enroute stops." 5 At paragraph 27: 6 "In the light of [that] initiative, the meeting had 7 discussed and come to the views that having regard to 8 the technical feasibility in retrofitting seat belts on 9 existing buses, operation of franchised buses in 10 Hong Kong which were mostly deployed on urban routes 11 with standing passengers; and the costs and downtime 12 incurred to retrofit seat belts on all existing buses, 13 as well as overseas experiences, that there were 14 insufficient justifications to make it a mandatory 15 requirement for all buses to be fitted with seat belts 16 on all passenger seats. Nevertheless, members reckoned 17 that in the case of exposed seats and in bus compartment 18 with no standees allowed, seat belts might give extra 19 protection to seated passengers to prevent passengers 20 from falling out from those seats." 21 Just to give you some context, the upper deck of 22 buses in Hong Kong would have no standing room on them; 23 standing room only applies to the lower deck. 24 In paragraph 28: 25 "In this regard, Citibank/New World First Bus was</p>	<p>1 It's 8 May, I think. 2 MR DEREK CHAN: Perhaps I will ask Ms Wong to locate that 3 part of the transcript. 4 In the meantime, perhaps I can take you to 5 Mr Weston's report, so we can complete the picture about 6 the various observations and views that this committee 7 has received on this issue. 8 Mr Weston's report, the relevant passage is at 9 page 134 of the bundle. 10 At page 134 of Mr Weston's report, the relevant part 11 on seat belts starts in the middle of that page. Again, 12 I will just read it out: 13 "Currently bus driver or passenger seat belts are 14 not a legal requirement in the UK on scheduled bus 15 services. 16 In terms of passenger seat belt the Department for 17 Transport guidance note makes the following statement: 18 'General requirements. Since 1 October 2001, seat 19 belts have been required to be installed in each forward 20 and rearward facing seat in all new buses. The use of an 21 approved and properly fitted restraint system can help 22 prevent death or serious injury, not only by restraining 23 the occupant from forward motion but also by preventing 24 their ejection from the vehicle, particularly in 25 accidents where the vehicle rolls over.</p>
Page 138	Page 140
<p>1 requested to consider retrofitting seat belts on all 2 passenger seats on the upper deck for the buses 3 operating selected bus routes for long-haul passengers 4 or operating on expressways with limited boarding and 5 alighting activities along the routes. Citybus/New 6 World First Bus indicated that it would be difficult for 7 their companies to allocate their buses to solely 8 operate specific routes as their buses would serve 9 a number of routes in a day under their existing 10 operations. In addition, Citybus/New World First Bus 11 observed that very few passengers would make use of seat 12 belts, it would not be financially feasible to retrofit 13 existing buses with seat belts on all passenger seats." 14 So two points to note there. One is the narrowing 15 down of the retrofitting target to upper deck and 16 expressways/long-hauls. Secondly, you have observations 17 about financial viability and doubts about whether it is 18 actually useful. 19 CHAIRMAN: To give Prof Stanley the context, we have 20 received oral evidence from Citybus, have we not, and 21 they have spoken in strident terms about their views 22 about the deployment of seat belts on buses? 23 MR DEREK CHAN: Yes, they have. 24 CHAIRMAN: Are you going to take the professor to that 25 transcript, or are you in a position to summarise it?</p>	<p>1 The only exemption from this requirement is for 2 buses that are designed for urban use with standing 3 passengers. An exemption is permitted for these vehicles 4 because they are typically used for short journeys, in 5 both time and distance, undertaken at moderate speeds on 6 urban routes. Although we are aware that vehicles 7 equipped with seat belts are used by some operators for 8 urban fare paying services, ultimately, it is for the 9 operator to choose the type of vehicle used to provide 10 a service'. 11 At present no London operators fit passenger or 12 driver seatbelts on buses contracted to TfL. 13 Historically First Group did fit driver seat belts but 14 sold out their London operations to Tower Transit and 15 Metroline ... in June 2013." 16 I think we have also located the passage from the 17 Citybus transcript. Can I just turn that up? 18 CHAIRMAN: Yes. Thank you. 19 MR DEREK CHAN: The transcript bundle, Day 3, page 6. 20 CHAIRMAN: How does that translate in the Augustinian 21 calendar, rather than the North Korean calendar? What 22 is Day 3? 23 MR DEREK CHAN: Tuesday, 29 May 2018. 24 CHAIRMAN: Yes. 25 MR DEREK CHAN: At line 15, Mr Samuel Cheng for Citybus</p>

Page 141	Page 143
<p>1 says -- the question was:</p> <p>2 "... has the Commissioner required any specific</p> <p>3 safety features to be installed on any of your bus?"</p> <p>4 That's the question.</p> <p>5 Mr Cheng then says:</p> <p>6 "Let me cite two examples. The Transport Department</p> <p>7 did ask the bus operators -- allow me to use English to</p> <p>8 talk about this term -- in relation to exposed seats,</p> <p>9 seat belts must be fixed.</p> <p>10 In addition, a small number of our buses had</p> <p>11 a straight and long flight of steps, so the Transport</p> <p>12 Department asked us to fix an additional handrail."</p> <p>13 I'm sorry, Mr Chairman, I think the more appropriate</p> <p>14 reference to be the evidence of the following day, the</p> <p>15 following hearing day. That is Wednesday, 30 May 2018.,</p> <p>16 at page 58.</p> <p>17 CHAIRMAN: Yes. Thank you.</p> <p>18 MR DEREK CHAN: At line 19, Mr Duncan, that is counsel for</p> <p>19 the committee, focused the witness's attention to</p> <p>20 "Feasibility of installation of seat belts on (a) all</p> <p>21 seats and (b) all seats on the upper deck on new buses".</p> <p>22 CHAIRMAN: To what was Mr Duncan referring?</p> <p>23 MR DEREK CHAN: Mr Duncan is quoting a statement made in the</p> <p>24 Citybus forward planning programme, and if I could just</p> <p>25 read it out:</p>	<p>1 resources if there isn't enforcement?"</p> <p>2 Mr Cheng has this to say:</p> <p>3 "If it is not mandated by law, then it is impossible</p> <p>4 to enforce the law. Currently, there is no requirement</p> <p>5 that when you are on a bus you have to put on your seat</p> <p>6 belt. Even if it is mandated by law, in the absence of</p> <p>7 law enforcement, I'm afraid it is also a waste of</p> <p>8 resources. We maintain the same view."</p> <p>9 Chairman: Have you raised this view with the</p> <p>10 Transport Department?</p> <p>11 Mr Cheng: We did. Our colleagues did raise it with</p> <p>12 the TD."</p> <p>13 So you've seen actually Citybus raising that</p> <p>14 observation in the minutes that we've just read of the</p> <p>15 working group.</p> <p>16 Before I ask you for your observation on that issue,</p> <p>17 I can also inform you that the expressways on which the</p> <p>18 buses operate, speed limits can go up to 80, but the</p> <p>19 speed limiter is fixed at 70. So that's the speed at</p> <p>20 which the franchised bus can go on expressways.</p> <p>21 CHAIRMAN: Well, the expressway to the airport is 110, is it</p> <p>22 not?</p> <p>23 MR DEREK CHAN: The airport is 110, but the franchised bus</p> <p>24 limiter will still be the same, at 70.</p> <p>25 CHAIRMAN: The legal speed limit for a franchised bus is</p>
Page 142	Page 144
<p>1 "It is feasible to install seat belts on all seats</p> <p>2 or on all seats on the upper deck. However, our</p> <p>3 observation shows that very few people wear the seat</p> <p>4 belts currently available at the exposed seats. Without</p> <p>5 any legislation to mandate the wearing of passenger seat</p> <p>6 belts on a franchised bus and the enforcement authority</p> <p>7 to strictly enforce the legislation, installing seat</p> <p>8 belts on all seats will be a waste of resources because</p> <p>9 vast majority of passengers will not wear seat belts</p> <p>10 even though they are provided.'</p> <p>11 That was a statement that you made in the latest</p> <p>12 forward planning programme for Citybus."</p> <p>13 Mr Duncan then draws his attention to another</p> <p>14 passage in the Transport Department about the seat belt</p> <p>15 issue. At page 60, Mr Chairman raised specifically this</p> <p>16 issue of retrofitting and whether it's a waste of</p> <p>17 resources. At page 60, line 17, this is a question from</p> <p>18 the chairman:</p> <p>19 "Before you embark on retrofitting, might I ask this</p> <p>20 question. In your earlier answers, you said that it was</p> <p>21 a waste of resources to fit seat belts because the vast</p> <p>22 majority of passengers simply wouldn't wear them, so</p> <p>23 that it required enforcement. Given that you have now</p> <p>24 indicated that you have agreed to incorporate them, what</p> <p>25 view do you have about whether or not this is a waste of</p>	<p>1 70 kilometres per hour?</p> <p>2 MR DEREK CHAN: Yes, also. So that's the speed at which</p> <p>3 buses would travel along the expressways.</p> <p>4 With all that information in mind, what is your</p> <p>5 observation or comment on the installation of seat</p> <p>6 belts, firstly on all the seats, and secondly focusing</p> <p>7 on the upper deck, where there is no standing</p> <p>8 passengers.</p> <p>9 PROF JOHN STANLEY: Thank you. This really takes me back to</p> <p>10 an answer I gave maybe half an hour ago about the notion</p> <p>11 of a regulatory impact statement. I think there are two</p> <p>12 levels to this particular question. The first level is:</p> <p>13 is it technically feasible to fit seat belts in certain</p> <p>14 kinds of positions on buses, for example on the upper</p> <p>15 deck of new buses, on retrofitting for older buses.</p> <p>16 That's a technical question of feasibility.</p> <p>17 The second level then is: if it is technically</p> <p>18 feasible, what is the cost/benefit ratio of doing that</p> <p>19 installation? In other words, what will it cost? That</p> <p>20 is the probability of particular kinds of accidents</p> <p>21 being reduced if those seat belts are installed? Will</p> <p>22 people wear them, is one of the questions that needs to</p> <p>23 be addressed in that setting?</p> <p>24 I don't have a view in any particular circumstances</p> <p>25 whether it is a good idea or not. What I would say is</p>

Page 145	Page 147
<p>1 that that's exactly the kind of problem that you should 2 submit to a regulatory impact statement. There will be 3 information around on the probabilities of accidents, 4 these different varieties. You can put monetary values 5 on the probability of those sorts of accidents being 6 reduced. You probably can form a view too on the 7 probability of wearing seat belts, which would affect 8 the effectiveness of the wearing thereof.</p> <p>9 So I think this is an exercise that needs a serious 10 piece of cost/benefit analysis done on it. Now, 11 government may decide it wants to make a policy decision 12 to install seat belts where it is technically feasible. 13 That's fine. As a matter of course, the way I would 14 approach this, though, is to say you need to go through 15 that cost/benefit analysis first, and I think that's 16 what should be done in this situation.</p> <p>17 So, rather than taking it on the basis that people 18 think it's going to be this or going to be that, the 19 kinds of concerns that have been raised by the various 20 parties are really genuine and legitimate concerns and 21 they affect the values of the potential installation, 22 but until you have actually done that proper 23 cost/benefit analysis, it's just speculation.</p> <p>24 If I had a gut feel, it's going to be that probably 25 it's not going to be worthwhile, with extensive seat</p>	<p>1 vehicle, to get a sense of what are the sorts of factors 2 that would be influencing the probability of these seat 3 belts being worn. In that case, you might want to go 4 and look at vehicles where it is currently mandated, to 5 see if the seat belts are being worn in those situations 6 or not. For example, in Australia, you would have 7 a look at the coaches and see whether people are 8 actually wearing their seat belts there, and if they are 9 what are the sorts of reasons that they are; have they 10 been responding to some sort of market awareness 11 campaign? What is it that's actually encouraged them to 12 go through that process?</p> <p>13 It's unlikely to be the fact that an inspector will 14 get on the bus and fine them if they don't do it. It's 15 more likely to be because they have thought about the 16 consequences of not doing it.</p> <p>17 So I think that's the sort of process that you need 18 to go through there. There are a range of technical --</p> <p>19 CHAIRMAN: Before you go on, if I might interrupt -- so in 20 Hong Kong, we've got seat belts on vulnerable seats, as 21 they are called, the top seats on the upper deck, for 22 example, at the front. So it would be simple enough to 23 survey whether or not people are actually prepared to 24 use them.</p> <p>25 PROF JOHN STANLEY: Absolutely.</p>
Page 146	Page 148
<p>1 belt fitting, but that would be no more than a gut feel, 2 and ideally this needs to go through a proper 3 evaluation.</p> <p>4 CHAIRMAN: Because a gut feel is not good enough; you should 5 do a cost/benefit analysis?</p> <p>6 PROF JOHN STANLEY: Exactly, Chair.</p> <p>7 CHAIRMAN: And in doing that, you would look at the various 8 components that you have described?</p> <p>9 PROF JOHN STANLEY: Exactly. In principle, it's a pretty 10 straightforward cost/benefit analysis. Getting some of 11 the values or the probabilities you need will need a bit 12 of serious research, but the process and the sorts of 13 things you need to look for are very much encapsulated 14 by a lot of the responses that you have read out in the 15 various submissions.</p> <p>16 CHAIRMAN: What parties ought to be involved in a proper and 17 effective cost/benefit analysis on this issue? Who 18 would you go to? What information would you want from 19 them?</p> <p>20 PROF JOHN STANLEY: Firstly, you've obviously got to talk to 21 the equipment suppliers, the bus manufacturers, to get 22 a solid view of what's technically feasible with new and 23 older vehicles. That includes with the seat 24 manufacturers as well. You probably need to be talking 25 also to people who do customer survey work on the</p>	<p>1 CHAIRMAN: Even though this has been identified as 2 a dangerous or vulnerable place on a bus; are they 3 actually using them?</p> <p>4 PROF JOHN STANLEY: Absolutely, Chair, and I have to say 5 that my wife and I wore ours yesterday in the front seat 6 coming from Victoria, which was the first place in the 7 world to make seat belt-wearing compulsory.</p> <p>8 CHAIRMAN: Am I right in understanding that that was 9 a journey coming to and from Stanley?</p> <p>10 PROF JOHN STANLEY: Exactly, Chair.</p> <p>11 CHAIRMAN: That's no doubt a good reason to wear a seat 12 belt.</p> <p>13 You were going on to describe the people from whom 14 one would seek assistance and the kind of information 15 you would want from them to do this cost/benefit 16 analysis.</p> <p>17 PROF JOHN STANLEY: Thank you. On the cost side, we have 18 talked about the vehicle suppliers, the manufacturers of 19 the vehicles. When it gets to the question of 20 retrofitting, you would need to talk to people who do 21 that sort of work on buses, who actually -- I mean, we 22 have vehicle body builders in Melbourne who I would go 23 to, if I was doing this particular type of study in 24 Melbourne, to get an opinion from them. It's probably 25 going to be technically feasible to retrofit, it's just</p>

Page 149	Page 151
<p>1 going to be very expensive. I think they are the sorts 2 of things you would need to look at. So it would 3 require a fairly major rebuild of the bottom part. 4 But then it's a case of what are the benefits, so 5 then you need to look at what are the sorts of accidents 6 that are happening in the vehicle, and, for example, is 7 this happening to people who are standing; is it 8 happening to people who are sitting; what is the 9 probability that exposure to those sorts of accidents 10 will be reduced in the event that seat belt-wearing is 11 required, and what do you need to do to encourage that 12 seat belt-wearing? 13 If I was doing that kind of exercise, I would 14 probably be talking to psychologists about how you would 15 get through the message about wearing seat belts, about 16 getting people to take this seriously. The point you 17 make, Chair, about looking at what happens in those 18 seats that are currently required to do it in Hong Kong, 19 very important in terms of forming a view on the 20 probabilities that will happen. I would be talking to 21 whoever are the custodians of the values or the costs of 22 different sorts of accidents. So, in other words, what 23 is the cost of a fatal accident in Hong Kong, what is 24 the cost of a serious injury accident, what is the cost 25 of a minor injury accident, those sorts of things,</p>	<p>1 airport, at what speeds do the buses operate? Do you 2 have a 70km zone in your urban areas? 3 PROF JOHN STANLEY: We have a 60km general speed limit, but 4 on freeways it is 100 kilometres per hour. One of the 5 major transport corridors that the competitively 6 tendered service runs on is on the eastern freeway in 7 Melbourne, which has a bus lane, and that bus lane would 8 operate at up to 100 kilometres per hour. You know, in 9 part of the day, at the peak time, it wouldn't be able 10 to operate at that speed all its length, but because it 11 is a bus lane, they can operate at 100 kilometres per 12 hour for a good part of the day. 13 No most of the network, the average speed is about 14 22 kilometres per hour. If you look at the timetable 15 and the sort of implied speeds built into the timetable, 16 they average about 22 kilometres per hour, which means 17 the bus probably gets up to 60 for a short part, between 18 stops. 19 MR DEREK CHAN: Let's just make sure I'm not mistaken. So 20 some of the urban buses where there are no seat belts 21 can travel up to 100 kilometres per hour? 22 PROF JOHN STANLEY: Correct, Chairman. 23 MR DEREK CHAN: Now that we have discussed the costs 24 involved of retrofitting, it may be a good point to then 25 move on to my next topic, which is the case for subsidy,</p>
Page 150	Page 152
<p>1 because they will be the sorts of unit values you need 2 to apply to the reductions in the probability of 3 an accident of a particular kind taking place. 4 CHAIRMAN: In finding out what is happening in accidents, 5 how it is that people are injured, where they are 6 injured, why they are injured, no doubt you would wish 7 to consult the police, perhaps; the bus companies? 8 PROF JOHN STANLEY: You would certainly do both of those 9 things, Chair. Also, if I was doing that kind of 10 exercise in Australia, I would talk to Monash University 11 Accident Research Centre, where they specialise in that 12 kind of analysis. So certainly the police, and I think 13 some of the data that I saw, I think it was from the 14 Transport Department, on fatal accidents here in 15 Hong Kong, looked good data, and I suspect there's a lot 16 more available behind that than what I read in some of 17 the summaries. But certainly those sources of 18 information are really important. 19 But also, if there are university knowledge hubs 20 that focus on safety in vehicles, then they would be 21 an important inclusion in an exercise like this. 22 CHAIRMAN: Thank you. 23 MR DEREK CHAN: As a matter of interest, Professor, in 24 Melbourne, when you've talked about urban bus routes 25 with standing capacities, excluding the route to the</p>	<p>1 which is a topic mentioned -- 2 CHAIRMAN: Before you do that, might I raise with you the 3 issue of speed limit. What is the minimum speed limit 4 that's enforced -- I'm phrasing that badly. You say 5 60 kilometres per hour is the general speed limit. Are 6 there lower speed limits? 7 PROF JOHN STANLEY: There are, Chair. There are down to 8 40 kilometres per hour, for example, past schools. 9 There are areas where 50 kilometres per hour is common. 10 There is also a push from a number of municipal 11 authorities or local councils to try and reduce speed 12 limits to 30 kilometres per hour, particularly on local 13 streets. 14 CHAIRMAN: And how widespread is that amongst those 15 communities? 16 PROF JOHN STANLEY: Not very, Chair. It's in a few inner 17 metropolitan municipalities where there are a lot of 18 cyclists. 19 CHAIRMAN: But that hasn't resulted in those kind of 20 reductions? 21 PROF JOHN STANLEY: No, Chair. 60 is the most common. 22 There's a bit of 50 and then there's 100 on expressways. 23 CHAIRMAN: And 40 past schools? 24 PROF JOHN STANLEY: 40 past schools. Between certain hours 25 in the morning, but I think it's between 8.30 and about</p>

Page 153	Page 155
<p>1 9.30; in the afternoon --</p> <p>2 CHAIRMAN: So that's a variable speed limit?</p> <p>3 PROF JOHN STANLEY: Yes. It would be 40 past the school,</p> <p>4 that school opening and closing time, and then probably</p> <p>5 revert to 60 in most cases.</p> <p>6 CHAIRMAN: Is that signalled by an electronic sign as it is</p> <p>7 in London --</p> <p>8 PROF JOHN STANLEY: Yes.</p> <p>9 CHAIRMAN: -- telling you that the speed limit now is</p> <p>10 different for this stretch of road as you go past the</p> <p>11 school?</p> <p>12 PROF JOHN STANLEY: Yes, there would be a red circle sign</p> <p>13 with a 40 lit in it.</p> <p>14 CHAIRMAN: Has any study been done in Melbourne in respect</p> <p>15 of the link between speeds of vehicles and the damage</p> <p>16 done to people in collisions or on buses?</p> <p>17 PROF JOHN STANLEY: Funny you should ask that, Chair. There</p> <p>18 was an article that appeared in The Melbourne Age. It's</p> <p>19 not about buses per se but it's about speed and the risk</p> <p>20 of pedestrian death, and it shows how that probability</p> <p>21 or the risk of pedestrian death increases dramatically</p> <p>22 beyond about 40 kilometres per hour. This is based on</p> <p>23 reserve that was undertaken by the Monash University</p> <p>24 Accident Research Centre. I'm happy to leave this</p> <p>25 little piece of paper with your committee.</p>	<p>1 I think, in your report, you do look at the possibility</p> <p>2 of subsidy, and your recommendation that the Transport</p> <p>3 and Housing Bureau in Hong Kong should be looking at it</p> <p>4 from the angle of societal benefits that a bus operation</p> <p>5 brings, and I think you have explained a bit of that</p> <p>6 this morning to us as well.</p> <p>7 Can I first take you to page 92 of your report,</p> <p>8 where you deal with that issue, and can I just read the</p> <p>9 second full paragraph out:</p> <p>10 "Hong Kong's public transport system would generate</p> <p>11 large societal external benefits each year, some of</p> <p>12 which may be captured by the PT provider through land</p> <p>13 value increase, where the PT operator is a land owner.</p> <p>14 This would apply to rail more than bus. Franchised bus</p> <p>15 services will certainly produce more value to society</p> <p>16 than operators can collect in fares, particularly</p> <p>17 through easing road congestion levels, increasing social</p> <p>18 inclusion and improving road safety outcomes. If fares</p> <p>19 need to increase to find money for staffing needs, then</p> <p>20 there will be some loss of these societal benefits.</p> <p>21 This loss may be sufficient to justify government</p> <p>22 providing some financial support to operators, such as</p> <p>23 would enable them to retain/attract sufficient bus</p> <p>24 captains. Franchised bus operations can still operate</p> <p>25 commercially but on the basis that government is now</p>
Page 154	Page 156
<p>1 CHAIRMAN: Monash Accident Research Centre?</p> <p>2 PROF JOHN STANLEY: Monash University Accident Research</p> <p>3 Centre.</p> <p>4 CHAIRMAN: Thank you for your offer, which we will gladly</p> <p>5 take up. This is a matter you no doubt know about is</p> <p>6 being looked at in London, Transport for London, where</p> <p>7 they have correlated the risk of fatal injury to various</p> <p>8 levels of speed.</p> <p>9 PROF JOHN STANLEY: Yes.</p> <p>10 CHAIRMAN: You will have noted the significant drop in the</p> <p>11 risk of fatalities if the vehicle is doing, for example,</p> <p>12 20 miles an hour rather than 30 miles an hour.</p> <p>13 PROF JOHN STANLEY: Indeed, but the really big jump in</p> <p>14 Melbourne at least happens beyond about -- getting</p> <p>15 towards 40 kilometres per hour, so you have a relatively</p> <p>16 flat curve up to there, then it climbs very steeply,</p> <p>17 with a much higher probability of pedestrian death.</p> <p>18 CHAIRMAN: Yes. When you say "pedestrian deaths", so that's</p> <p>19 deaths outside a vehicle?</p> <p>20 PROF JOHN STANLEY: Yes, walking in front of.</p> <p>21 CHAIRMAN: Or being driven into.</p> <p>22 PROF JOHN STANLEY: Yes. Thank you.</p> <p>23 CHAIRMAN: Mr Chan.</p> <p>24 MR DEREK CHAN: Thank you, Mr Chairman.</p> <p>25 Can I then move on to the topic of subsidy.</p>	<p>1 remunerating the operator a sum for the societal</p> <p>2 benefits that their service provides, benefits that the</p> <p>3 operator is not able to capture through the fare box."</p> <p>4 I think that's consistent with what you have been</p> <p>5 telling us this morning.</p> <p>6 PROF JOHN STANLEY: Yes.</p> <p>7 MR DEREK CHAN: In the next paragraph, you suggest:</p> <p>8 "The Transport and Housing Bureau and the Transport</p> <p>9 Department should assess in economic terms the societal</p> <p>10 benefits of Hong Kong's franchised bus services, to</p> <p>11 enable them to evaluate the case for some financial</p> <p>12 support to those services, should such an issue be</p> <p>13 raised. It is noted that the matter of possible subsidy</p> <p>14 in respect of added remuneration was raised by counsel</p> <p>15 in discussion on the first day of committee hearings ...</p> <p>16 The safety consequences of bus captain</p> <p>17 working/driving/rest provisions are a classic example of</p> <p>18 where this public policy trade-off may need to be faced,</p> <p>19 given difficulties of attracting bus drivers and</p> <p>20 particularly if this was to be compounded, in future, by</p> <p>21 working hours greater than 12 per day being ruled out or</p> <p>22 limited more than at present. The author is not arguing</p> <p>23 for a 12-hour limit, Melbourne experience suggesting</p> <p>24 that 12-14 hours can be safe, provided the institutional</p> <p>25 setting has a strict focus on safety. However, without</p>

Page 157	Page 159
<p>1 such a strict safety regime, there should be some 2 nervousness about working days exceeding 12 hours." 3 So here you are tying the case for subsidy to the 4 issue already experienced here about the hiring of bus 5 captains. In the same vein, can I take you also to 6 Mr Weston's report, who says also much the same thing. 7 Can I invite you to go to page 152 of the expert bundle. 8 I am focusing on the first two paragraphs under 9 paragraph 8.3. If I can just pick this up in the middle 10 of the first paragraph, where Mr Weston noted that there 11 is no public subsidy in Hong Kong, and he remarks in the 12 middle of the paragraph:</p> <p>13 This is an exceptional achievement; however, the 14 question must be asked whether the emphasis on operating 15 a commercial network without public subsidy is 16 sustainable and potentially drives either the wrong 17 behaviours or lack [of] focus on certain aspects of the 18 operation. Also does this overly restrict the 19 investment the franchised operators can make in the 20 network especially in terms of developing and 21 introducing new technology and initiatives."</p> <p>22 He then goes on to say: 23 "Consideration could be given as to whether certain 24 safety initiatives, such as the uptake of new ... 25 technology and bus driver training targeted specially at</p>	<p>1 Then, when you've got that sort of background, you 2 can look at particular policy initiatives, such as 3 initiatives in technology, initiatives with training, to 4 test whether they do have external benefits that flow 5 from them, and whether the changes in the safety 6 environment that you're going to generate, for example, 7 either through technology or through training or through 8 remuneration, if that's a link there too, is going to be 9 such as justifies the government putting some money in 10 to support that. In other words, the external benefits 11 are bigger than the costs involved, but they don't 12 accrue to the operator.</p> <p>13 I think that's the key, really. The key concept of 14 an externality is it's accruing to the wider society and 15 it's not able to be captured through the fare box, or 16 land value in some cases.</p> <p>17 MR DEREK CHAN: In the first paragraph that I read out in 18 Mr Weston's report, he refers to a concern that if you 19 don't have public subsidy, it may potentially drive 20 wrong behaviours or a lack of focus, or restriction on 21 the investment into new technologies and initiatives. 22 Would you share that concern or do you have any 23 additional comments on that? 24 PROF JOHN STANLEY: No, absolutely. I think the kind of 25 argument in, if you like, welfare economic terms, is</p>
Page 158	Page 160
<p>1 safety might need to be funded by the Transport 2 Department as direct grants outside of the franchise 3 agreements with specific outcomes linked to these 4 grants. Providing funding outside of the franchise 5 agreements is also justified especially if the benefits 6 accrue to the wider society." 7 Just two points, if I may pick up from those two 8 passages. The second part, Mr Weston links the 9 provision of subsidy to technology and training, whereas 10 you pick up the hiring. Is there any difference 11 conceptually to the cases that you are both making for 12 subsidy?</p> <p>13 PROF JOHN STANLEY: None at all, Mr Chan. I think the key 14 point that we are both really making here is that public 15 transport in general and franchised buses in particular, 16 through their operation, generate external benefits to 17 the wider society, and those benefits have a value to 18 the community beyond just what's involved in the 19 commercial returns that are available to the operator 20 who's providing the service. And if there are -- and 21 I think it's really important to understand the value of 22 those external benefits. I think Hong Kong to me should 23 be having a look at what is the societal value of its 24 public transport services. I think the numbers are 25 going to be very big.</p>	<p>1 that if you ignore the external benefits that are 2 available, then the level of service provision will be 3 not enough; that you should in fact, in terms of trying 4 to maximise the benefits to society, provide a larger 5 volume of service than will flow from solely 6 a commercial operator making a decision on commercial 7 criteria.</p> <p>8 I mentioned earlier on in the day the Thredbo 9 conference that's held every two years, discussing 10 competition and regulation in public transport, which is 11 a forum that involves academics, operators in public 12 transport, and governments. I chair the workshop strand 13 in that and have done for probably the past ten years, 14 that looks at trying to value public transport services. 15 So there's an active conversation happening there in the 16 academic/public transport operation/government area, 17 through that forum, and it would be terrific if the 18 Hong Kong Transport Department and interested academics 19 from Hong Kong could participate in that forum, which 20 is, as I say, every two years, the next one being in 21 Singapore next year.</p> <p>22 CHAIRMAN: Which other jurisdictions send representatives to 23 this conference? 24 PROF JOHN STANLEY: Chair, I think at the last one there 25 were 22 different countries present. Around about</p>

Page 161	Page 163
<p>1 a third of the participants would be academics; a number 2 of public transport operators participate. I notice 3 when we were reading previously you talked about Tower 4 Transit in London -- Neil Smith, the principal of that 5 business, is a regular in this forum; South Africa, 6 South America are strong participants; a lot of European 7 countries participate in the venue; Australia is well 8 represented as well, new Zealand -- 22 countries -- and 9 senior-level representation from government, from the 10 universities, and also from operators. 11 CHAIRMAN: I take it, if the next one is in Singapore, 12 Singapore is also a participant? 13 PROF JOHN STANLEY: Yes, Chair. 14 CHAIRMAN: Is that government and bus operators? 15 PROF JOHN STANLEY: The Land Transport Authority will be 16 hosting the next event. I suspect that some of the 17 operators might be sponsors. 18 CHAIRMAN: When is that to be held? 19 PROF JOHN STANLEY: I think it's September next year. Maybe 20 August. I will send you that information. 21 CHAIRMAN: Thank you. 22 Does it publish information that is available 23 publicly? 24 PROF JOHN STANLEY: It does, Chair. In fact that's really 25 the most important part of the whole process. It's all</p>	<p>1 where government might play a role in addressing the 2 issues that Mr Weston has identified. This is an issue 3 that's been raised, has it not, by the bus operators in 4 respect of the cost of implementing the decision, if 5 that's what it is, to install seat belts on franchised 6 buses? 7 MR DEREK CHAN: Seat belts. We have heard evidence from 8 Kowloon Motor Bus, Dr Leung, I think it was, who said 9 that he had one discussion with a government official. 10 CHAIRMAN: Yes. Perhaps if you can turn up that reference 11 in the transcript. It is also dealt with, is it not -- 12 and I'm working from my unpaginated bundle -- but the 13 sub-working group on vehicle safety devices, 12 June 14 2018, paragraph 8. Perhaps we could draw that to 15 Prof Stanley's attention. 16 You have already been told, Prof Stanley, of the 17 anxiety being expressed by Citybus of being involved in 18 an operation of installing seat belts at their cost on 19 buses where it is their experience that the passengers 20 won't use them and government won't mandate it and won't 21 even enforce it. It's a futility, I think is what 22 they're saying, the whole exercise. 23 Perhaps if we could go to paragraph 8 of those 24 minutes. 25 MR DEREK CHAN: Yes. Can I start first then by going to the</p>
Page 162	Page 164
<p>1 published, and so -- 2 CHAIRMAN: Is it available on the internet? 3 PROF JOHN STANLEY: A lot of it is. Some of it gets 4 actually published as journal papers, which means it's 5 not available on the internet necessarily but you can 6 get copies of those papers. Sometimes it appears as 7 books. But publication is the essence of the process. 8 In fact, it's an unusual conference in the sense 9 that it takes you -- it extends over four days, three 10 days of which is based on a workshop format in which 11 participants choose one topic only and spend three days 12 working through that topic, and that topic might be, for 13 example, how do we get more competition into public 14 transport operation, and they would spend three days 15 discussing that with colleagues. The workshop I chair 16 spends three days talking about what are the benefits of 17 public transport and how can we value them and can we 18 convert them into cash flows to help pay for services. 19 CHAIRMAN: Thank you. 20 PROF JOHN STANLEY: Chair, my wife points out the next 21 conference is Sunday, 25 to Friday, 30 August 2019. 22 CHAIRMAN: Thank you. 23 MR DEREK CHAN: Mr Chairman, may I then move on to the next 24 topic, which is working hour guidelines. 25 CHAIRMAN: You were dealing with the topic of subsidies,</p>	<p>1 second meeting notes of the sub-working group. 2 CHAIRMAN: Yes. 3 MR DEREK CHAN: It starts at KMB-12, page 4932-1. That's 4 the first page of the meeting note. 5 CHAIRMAN: What's the date of this meeting? 6 MR DEREK CHAN: 12 June 2018. 7 CHAIRMAN: Thank you. 8 MR DEREK CHAN: The relevant passage that Mr Chairman 9 referred to is at 4932-3, paragraph 8. 10 Perhaps I can just read that out: 11 "Citybus ... mentioned that the exposed seats on the 12 existing buses were already fitted with 3 point seat 13 belts. From their day-to-day operation experience, most 14 passengers sitting on exposed seats did not wear seat 15 belts. The retrofitting work with huge cost would be 16 a waste of money if nobody uses them. It was agreed 17 that promotion and education to passengers should be 18 conducted to promote the use of seat belts. Citybus 19 said that they had about 1,100 bus registered in or 20 after 2013 which might be feasible [for] retrofitting 21 seat belts to the upper deck. The estimated cost of 22 retrofit would be in the magnitude of about 23 HK\$240 million which is almost impossible for the 24 company to afford. Citybus requested the government to 25 provide funding or subsidy to such retrofit projects if</p>

Page 165	Page 167
<p>1 that is really required. Therefore they have no plan to 2 retrofit seat belts on their own. It was agreed that 3 the issue of financial implication would be brought up 4 in the working group for discussion." 5 Just to complete the picture in respect of the other 6 two companies, at paragraph 9: 7 "Kowloon Motor Bus ... emphasised that they 8 supported the seat belt installations for all new 9 buses", and in a phase-by-phase approach. 10 At the end of that paragraph: 11 "New Lantao Bus objected to such installation due to 12 low utilisation rate and huge cost. New Lantao Bus had 13 no plan to retrofit seat belts." 14 That's the position in respect of the three 15 providers. 16 CHAIRMAN: So KMB might consider to retrofit seat belts; is 17 that the point being made there? 18 MR DEREK CHAN: Yes. 19 CHAIRMAN: They were prepared to fit them on new buses but 20 they would only consider retrofitting them on existing 21 buses. 22 MR DEREK CHAN: Yes. We also saw in a previous meeting note 23 that we went through that it was KMB who came up with 24 the initiative or proposal about retrofitting upper deck 25 and on specific routes that are long-haul or go on</p>	<p>1 evidence is that's probably not always the case. But in 2 a situation like this, you would hope that government 3 would go through the process of doing that cost/benefit 4 analysis and identifying the benefits, and if those 5 benefits look substantial, they are very much 6 externalities. These aren't benefits that are going to 7 be captured for the operator. So they are a case for 8 looking at subsidy as a means of helping this process to 9 happen. 10 CHAIRMAN: There might be benefits for the operator. If 11 accidents are prevented so the passenger doesn't get 12 injured when the bus brakes or hits something, that's 13 a benefit for the operator. 14 PROF JOHN STANLEY: It is, that's true. 15 CHAIRMAN: They don't have damages to pay. 16 PROF JOHN STANLEY: That's true. The larger component of 17 these will be externalities that are not able to be 18 captured by the operator. So you would make 19 the argument for a sharing on the basis of the cost 20 between the government and the operator. 21 CHAIRMAN: But when government is disposing of taxpayers' 22 money, it behooves government to have regard to what the 23 benefit and the cost is, does it not? 24 PROF JOHN STANLEY: Absolutely, to do the quantification and 25 to work through the exercise we were talking about</p>
Page 166	Page 168
<p>1 expressways. 2 Perhaps just to complete the picture about the 3 evidence from Dr Leung in the last hearing, can I refer 4 the committee to the transcript for 12 September 2018. 5 That should be at transcript bundle 6. The relevant 6 part of it is at page 18, line 14. Again, maybe I will 7 read out Dr Leung's evidence: 8 "May I just add. Recently I had a meeting with the 9 government official and in fact I talked to him and 10 requested the government whether they can offer any 11 assistance to us in retrofitting these safety belts, and 12 the response was quite positive, if I may put it this 13 way." 14 And the person was Mr Joseph Lai, permanent 15 secretary for transport, and his deputy, Mr Kevin Choi. 16 CHAIRMAN: Now, this is ground that we have covered, in 17 a sense, already, but it is actually a real issue in 18 Hong Kong. So that we understand what you are saying, 19 this is what calls for an analytical cost/benefit 20 analysis. You say, on the one hand, government can make 21 a decision, "As a matter of policy, that's what we are 22 going to do", but even when government makes policy 23 decisions, surely it has regard to cost/benefit 24 analysis? 25 PROF JOHN STANLEY: You would hope so, Chair, but the</p>	<p>1 an hour or so ago. 2 CHAIRMAN: Yes, Mr Chan. 3 MR DEREK CHAN: Mr Chairman, I have three more topics. One 4 is the issue of guidelines, the second being 5 transparency of safety data, and the third, bus captain 6 training. I suspect I will need about 20 minutes or 7 half an hour to finish that. Does Mr Chairman want 8 a break now or do you want me to head straight through? 9 CHAIRMAN: I am conscious that you have been on your feet 10 and the professor has been in the hot chair, as it were. 11 Shall we take ten minutes? 12 PROF JOHN STANLEY: I'm happy to go either way. 13 MR DEREK CHAN: Thank you, Mr Chairman. 14 CHAIRMAN: Ten minutes then. 15 (4.21 pm) 16 (A short adjournment) 17 (4.38 pm) 18 CHAIRMAN: Yes, Mr Chan. 19 MR DEREK CHAN: Thank you, Mr Chairman, and Professor. 20 If I may then go directly to the issue of working 21 hour guidelines. I think the biggest point you make 22 there is the difference between Melbourne and Hong Kong, 23 in the sense that in Melbourne, working hour guidelines 24 are embedded within legislation, whereas in Hong Kong, 25 we have them in the form of just guidelines.</p>

Page 169	Page 171
<p>1 Can I take you to the relevant passage in your 2 expert report on that issue, and that is at page 91 of 3 your expert report. I'm looking at the middle paragraph 4 of page 91, and if I may read it out: 5 "Two notable differences between Hong Kong and 6 Melbourne with respect to working/rest hours are that 7 (1) the Melbourne (Victorian) requirements on 8 work/driving/rest are set out in a regulation (the 9 National Heavy Vehicles (Fatigue Management) National 10 Regulations 2013), with (2) a safety duties/chain of 11 responsibility link, whereas in Hong Kong they are the 12 subject matter of a Guidelines document" -- and you can 13 take reference to that -- "without specific legislative 14 reference to safety duties or chain of responsibility. 15 The Hong Kong Public Bus Services Ordinance (Cap 230) 16 provides for regulations of working/driving/rest hours 17 but this has not been taken up." 18 Pausing there, Mr Chairman, the reference to that is 19 section 35J of the Ordinance, and the page number, 20 without going to it, if I may -- 21 CHAIRMAN: You are going to go into it? 22 MR DEREK CHAN: I don't propose to go to it. 23 CHAIRMAN: I'm familiar with the provision. 24 MR DEREK CHAN: The page reference is TD-2, page 56. 25 Professor, you go on to say in your report that:</p>	<p>1 which is ... 2 CHAIRMAN: I think the numbers marry up. 3 PROF JOHN STANLEY: So it will be page 27 also. They are 4 just some examples of the penalties that are there for 5 some of the problems that might occur for a breach. 6 CHAIRMAN: Yes. It's from that page that I got the feel of 7 how it is that the higher up the chain you are, the more 8 the penalty is. 9 PROF JOHN STANLEY: Yes. The consequences have potential 10 monetary amounts involved with them for a range of 11 parties, as I think I also indicated earlier today, and 12 the new revisions of the national law that are coming in 13 on 1 October, potential for imprisonment as well for 14 reckless behaviour and substantially increased penalties 15 at the top of end of this scale. 16 So this is taken very seriously because it has that 17 sort of embedding. I think maybe the police have 18 criticised the application of this possibility to date, 19 saying they don't think enough heavy penalties have been 20 imposed. This is primarily in trucking rather than in 21 the bus area. These provisions are mostly in 22 infringements coming up in terms of trucking. But 23 certainly the provisions are there, and from the 24 conversations that I have with our bus operators, they 25 are very conscious of these provisions and the</p>
Page 170	Page 172
<p>1 "This difference in mode of establishing 2 working/rest hour requirements between the two 3 jurisdictions seems likely to mean that there will be 4 a stricter focus by operators on compliance in 5 Melbourne, since the consequences of non-compliance 6 involve a breach of the law, which could have legal 7 consequences for a number of people in the business, and 8 others (possibly also including the government service 9 procurer), because of chain of responsibility." 10 The last part is a reference to the Bus Safety Act 11 that we already looked at this morning. And one of your 12 key recommendations is for our guidelines to be embedded 13 within some sort of regulation. 14 Mr Chairman, the reference for that is page 94 of 15 the expert report, which I won't go to. It's simply 16 a one-line reference to that. 17 CHAIRMAN: Yes, I see that. Thank you. 18 MR DEREK CHAN: Professor, it may be obvious, but can 19 I still ask you to elaborate on the advantages of 20 incorporating the working hour guidelines into 21 regulation and giving it the force of law. 22 PROF JOHN STANLEY: Thank you, Mr Chan. In the Melbourne 23 situation, and I think I have included in my first 24 report some examples of the potential consequences of 25 not complying -- this was at page 27 of my first report,</p>	<p>1 consequences for themselves, as management, but also for 2 other potential players in that chain of responsibility. 3 Chair, I would also make the I think important point 4 that our regulation is embedded in something that's 5 called "fatigue management regulation". So it's Heavy 6 Vehicles (Fatigue Management) National Regulations, as 7 distinct from the Hong Kong approach which is guidelines 8 that refer to working. 9 CHAIRMAN: Yes. 10 PROF JOHN STANLEY: So it's quite a different focus, and 11 I think that's quite important. We have been on 12 a fatigue focus for quite some time. 13 CHAIRMAN: Forgive me for interrupting. May I ask that 14 somebody enquire why we are now being visited by 15 a bright flashing red light? Thank you. 16 MR DEREK CHAN: Can I ask the question in this way: can you, 17 Professor, see any downside in making the working hour 18 guidelines a matter of legal requirement under statute? 19 PROF JOHN STANLEY: No. 20 MR DEREK CHAN: Can I also ask you to consider the Transport 21 Department's explanation for not putting the working 22 hour guidelines into regulation, and the evidence from 23 the Transport Department I will ask you to have a look 24 at is on the first day of the evidence, which is on 25 7 May 2018, so it's the first set of transcripts in the</p>

Page 173	Page 175
<p>1 first transcripts bundle, and can I please refer you to</p> <p>2 page 121, starting at line 4.</p> <p>3 CHAIRMAN: Who is giving evidence?</p> <p>4 MR DEREK CHAN: This would be Ms Mable Chan, the</p> <p>5 Commissioner for Transport.</p> <p>6 CHAIRMAN: Thank you.</p> <p>7 MR DEREK CHAN: If I go forward a page just to give some</p> <p>8 context, Mr Duncan, in the middle of the page at</p> <p>9 line 13, page 120, says:</p> <p>10 "Ms Chan, you were present this morning, I think,</p> <p>11 when I asked representatives from the bureau as to why</p> <p>12 these guidelines with regard to working hours are simply</p> <p>13 guidelines, as opposed to regulations, given that the</p> <p>14 ordinance expressly stipulates that this topic can be</p> <p>15 the subject of regulation.</p> <p>16 Are you able to assist the committee as to the</p> <p>17 reason why this has not been a regulation or has not</p> <p>18 even achieved the status of a direction or a</p> <p>19 requirement?"</p> <p>20 The response or the explanation of Ms Mable Chan,</p> <p>21 the Commissioner for Transport, was this:</p> <p>22 "Because I was present at this morning's session and</p> <p>23 the context in which this issue was raised was on</p> <p>24 whether or not it should be better implemented or</p> <p>25 enforced under the law or as a franchise requirement.</p>	<p>1 that way.</p> <p>2 CHAIRMAN: Reviewed and revised in a more timely way, and</p> <p>3 more flexible.</p> <p>4 MR DEREK CHAN: Yes.</p> <p>5 CHAIRMAN: Just remind me, prior to the February 2018</p> <p>6 revision, when was the last revision of the guidelines?</p> <p>7 MR DEREK CHAN: 2010.</p> <p>8 CHAIRMAN: So eight years?</p> <p>9 MR DEREK CHAN: Yes.</p> <p>10 CHAIRMAN: And prior to that, 2010?</p> <p>11 MR DEREK CHAN: 2004.</p> <p>12 CHAIRMAN: So six years?</p> <p>13 MR DEREK CHAN: Yes, and I think the evidence previously was</p> <p>14 that the 2018 amendment kicked off because of the</p> <p>15 September 2017 accident.</p> <p>16 CHAIRMAN: Yes. That was when a review of the guidelines</p> <p>17 was commenced, in consequence of that.</p> <p>18 MR DEREK CHAN: Again, in reaction to that accident.</p> <p>19 CHAIRMAN: Yes. So six and eight years?</p> <p>20 MR DEREK CHAN: Yes.</p> <p>21 CHAIRMAN: Timely? A more timely way?</p> <p>22 MR DEREK CHAN: Perhaps I can just give the reference to</p> <p>23 that table of amendments. It's at MISC-1, page 897,</p> <p>24 just for the reference of the committee.</p> <p>25 CHAIRMAN: Thank you. That's helpful. This details the way</p>
Page 174	Page 176
<p>1 First perhaps I can express my view from an</p> <p>2 operational and monitoring point of view. As I see it,</p> <p>3 the history of the working hours guidelines is long and</p> <p>4 it is an ongoing process. As revealed from the few</p> <p>5 times that the guidelines are revised, the beauty of the</p> <p>6 requirements as set out in the guidelines is that it</p> <p>7 could be reviewed and revised in a more timely basis as</p> <p>8 compared to if it is stipulated as the ordinance or in</p> <p>9 the regulation; though I must admit that as and when</p> <p>10 necessary, we should not spare ourselves from the effort</p> <p>11 in reviewing the legislation or taking it through the</p> <p>12 Legislative Council.</p> <p>13 The fact remains that, being guidelines, it can be</p> <p>14 more flexible and it can be sort of enhanced in the</p> <p>15 light of the prevailing circumstances. Franchised bus</p> <p>16 service is a very labour-intensive service. There are</p> <p>17 also highly prescriptive requirements on the service</p> <p>18 levels of franchised bus. So I think from the</p> <p>19 government perspective, we are trying to strike a</p> <p>20 balance in ensuring the delivery of bus service</p> <p>21 according to franchise requirement on the one hand and</p> <p>22 the enhancement of the working environment of bus</p> <p>23 captains on the other."</p> <p>24 So there is the explanation from the Transport</p> <p>25 Department, for convenience, if I could sum it up in</p>	<p>1 that the guidelines have been changed.</p> <p>2 MR DEREK CHAN: Exactly. 2004, 2007, 2010, 2018.</p> <p>3 CHAIRMAN: Yes.</p> <p>4 MR DEREK CHAN: Professor, do you have any observation --</p> <p>5 CHAIRMAN: Before you ask the more general question, we have</p> <p>6 seen that there are penalties available for infractions.</p> <p>7 Given the work that you have done over the years with</p> <p>8 buses in Victoria, how often are people prosecuted,</p> <p>9 presumably, for this kind of infraction?</p> <p>10 PROF JOHN STANLEY: Very rare, Chair, and not in fact in</p> <p>11 relation to route bus operation. It's much more likely</p> <p>12 to occur in the longer distance running.</p> <p>13 CHAIRMAN: Yes. I can understand the different demands</p> <p>14 there.</p> <p>15 PROF JOHN STANLEY: Yes.</p> <p>16 CHAIRMAN: But very rare in buses?</p> <p>17 PROF JOHN STANLEY: Yes, in route buses, yes.</p> <p>18 CHAIRMAN: In route buses?</p> <p>19 PROF JOHN STANLEY: Yes. And if I might comment on that</p> <p>20 issue of convenience. It seems to me that you have to</p> <p>21 decide whether the guidelines or a regulation are about</p> <p>22 convenience to the authority or whether they are about</p> <p>23 outcomes to the public, and coming as a consequence of</p> <p>24 compliance with whatever it is you are putting in those</p> <p>25 guidelines. So my personal view would be it is more</p>

Page 177	Page 179
<p>1 important to put weight on -- emphasis on compliance 2 than it is on administrative convenience. 3 CHAIRMAN: Is the fact that prosecutions are very rare for 4 infractions of this working hours legislation for route 5 buses because there is a high level of compliance? 6 PROF JOHN STANLEY: I believe so, Chair, yes. In fact the 7 scheduling and rostering processes that the operators 8 use have very much the provisions of the regulation 9 sitting behind them, and they build a little bit of 10 margin for error in there, so that they don't bump up 11 against the boundaries that are created with respect to 12 the lengths of time before they need to take a break. 13 CHAIRMAN: Yes. 14 The figures of compliance with working hour 15 guidelines in Hong Kong, have you looked at them? 16 PROF JOHN STANLEY: I think my recollection was 96 per cent. 17 CHAIRMAN: Yes. That accords with mine, 97, perhaps, 18 something like that. 19 PROF JOHN STANLEY: Yes. My concern there would be that 20 there's 4 per cent non-compliance, and why is that, what 21 is the consequence of that. 22 CHAIRMAN: Thank you. 23 Yes, Mr Chan. 24 MR DEREK CHAN: Thank you, Professor. 25 Can I move on then to the next topic, which I hope</p>	<p>1 available to a few select people. It's really important 2 information in the public interest, in my view, and it 3 shows that there's some really good research being done, 4 trying to come to grips with the challenges that are 5 being faced in the safety sense and it would give people 6 confidence in what the industry is trying to do. 7 CHAIRMAN: The committee obviously agrees with you, because 8 initially we were denied access to this material, and by 9 a series of steps over several months we have managed to 10 obtain a great deal of this material by people being 11 willing to give it to us, perhaps recognising that it is 12 data of relevance. 13 PROF JOHN STANLEY: Indeed, and it is data that can inform 14 you on areas that are unique to focus the effort. 15 I drew attention in fact to a little jump in the kind of 16 six to eight-hour period after the start of shift in 17 which the accident rate seemed to go up a little bit, 18 and I didn't see that actually commented on in the paper 19 in which the evidence was presented, but it just shows 20 that the sort of analysis and the data presentation can 21 lead you into asking questions that might be able to 22 help better safety outcomes. 23 CHAIRMAN: Mr Chan, there is one matter -- I mention it now 24 so that perhaps Ms Wong can find it -- you raised or you 25 drew attention to the fact that the Transport</p>
Page 178	Page 180
<p>1 is more straightforward. That is the transparency of 2 the safety data. 3 You make that point at page 69 of your expert 4 report. At the first bullet point of page 69 you say: 5 "There are solid arguments favouring publication of 6 the bus safety chapter of the five year forward planning 7 programmes, because of the wider societal costs of 8 accidents." 9 I think you were referring to a number of analytical 10 statistics that relate to safety issues. 11 PROF JOHN STANLEY: Yes, Mr Chan. I thought that the 12 discussion in some of those bus safety chapters was 13 really informative, and it is the sort of information 14 that I believe, in the public interest, should be more 15 widely available. 16 I'm referring, for example, to the kinds of analysis 17 that was presented on the driving our links and how that 18 affected accident performance, I think it was. 19 CHAIRMAN: Yes, and non-links, as I think it was 20 established, between the number of hours you drive, the 21 age of the drivers, that sort of comparison? 22 PROF JOHN STANLEY: Exactly, Chair. Accident rate by years 23 of service, accident rate by hours on duty before the 24 accident. I mean, I think this is really good analysis, 25 and it shouldn't be stuck in documents that are only</p>	<p>1 Department, in the letter it wrote requiring KMB to 2 address why there had been an increase in accident 3 rates -- we now have the KMB forward planning report. 4 Presumably, that gives us an explanation. The latest 5 report was given to us during August 2018, again at our 6 request, when one of the members of the KMB 7 representatives told us that they were going to provide 8 it to the Transport Department, my memory is, on 9 18 August. 10 MR DEREK CHAN: Yes. The latest version has made it into 11 our bundles. I will ask Ms Wong to marry it up with 12 what the Transport Department asked for. 13 CHAIRMAN: Yes, that's what I'm inviting you to do: what was 14 the explanation for why the rate had gone up? You don't 15 have to do it immediately. Carry on with your list. 16 MR DEREK CHAN: Yes. Mr Weston also makes a similar point, 17 on the transparency of this sort of data. Can I quickly 18 take you to that at page 153 of the expert bundle, and 19 if I can just read you -- 20 CHAIRMAN: Can you give me the paragraph number, because I'm 21 working from the set that I've marked up. 22 MR DEREK CHAN: That would be page 39 of the internal 23 pagination of Mr Weston's report. 24 CHAIRMAN: Thank you. I've got that open. 25 MR DEREK CHAN: Paragraph 84, under the heading, "Safety</p>

Page 181	Page 183
<p>1 data transparency/performance". If I can read it out: 2 "It is clear from London's experience that greater 3 transparency of data in relation to the safety 4 performance of the bus network not only leads to greater 5 stakeholder and public scrutiny [but] it also leads to 6 a sharper focus from both the transport authority and 7 its contracted bus operators on the safety agenda. 8 An open approach to incident data leads to 9 accountability. 10 Consideration should be given to what safety data in 11 relation to the Hong Kong franchised bus network could 12 be placed into the public domain." 13 Professor, do you agree with that or do you have any 14 other observations in that regard? 15 PROF JOHN STANLEY: I agree fully with that, Mr Chan. My 16 view generally on the Greater London authority and 17 Transport for London is they are almost without peer in 18 terms of availability of data and information, in 19 a global sense, and they don't try and hide things, they 20 try and put it out there, and warts and all are prepared 21 to confront the sorts of challenges that that shows. 22 I think that really leads to a lot of confidence in 23 that process, so I'm very supportive. 24 CHAIRMAN: In fact this material is available on the 25 internet and they publish it every quarter.</p>	<p>1 sufficient rest/sleep to avoid fatigue and on the 2 importance of including fatigue management training in 3 driver training programmes. Within the various bus 4 captain training materials included in the annexes to 5 the Transport Department submission at pages 1448 and 6 following, and also in the briefing paper to the 7 Legislative Council Panel on Transport on Enhancement of 8 Safety of Franchised Buses ... the author did not see 9 any mention of training in fatigue management. This is 10 an important part of bus driver training in Melbourne, 11 including attention to related matters such as diet and 12 exercise. The training also extends to supervisors, to 13 try to ensure that they do not roster drivers who may be 14 fatigued. More broadly, the idea of the Transport 15 Department developing a practice note on the training 16 framework for franchised bus captains is a good idea, as 17 outlined in the paper to the Legislative Council Panel. 18 This will help to ensure that all operators are aware of 19 desired standards and have a means of conveying these 20 standards to their bus captains. The training framework 21 that is developed needs to include a specific component 22 on fatigue management, which could form part of 23 an occupational health and safety module and should 24 extend to supervisors." 25 Professor, can you elaborate on what would be</p>
Page 182	Page 184
<p>1 PROF JOHN STANLEY: They do, yes. 2 MR DEREK CHAN: Yes, Mr Chairman. Can I then move on to the 3 last topic in my notes, and that is bus captain 4 training. 5 In page 78 of the expert bundle, which should be the 6 second report, you have a section on bus captain 7 training. I think the point here is that the driver 8 training requirement is specifically required under the 9 Melbourne contracts. 10 PROF JOHN STANLEY: (Nodded head). 11 MR DEREK CHAN: And in Hong Kong, recently, the Transport 12 Department has recently promulgated a practice note in 13 respect of this training guideline, so I won't take you 14 to the details of that. 15 But there is one matter arising out of the captain 16 training that I would like to ask you about, and that is 17 on fatigue management training, which you expressly 18 mention at page 90 of your report. At page 90, can 19 I perhaps read from the second full paragraph, where you 20 deal with your recommendation that fatigue management 21 training should be part of our training programme. You 22 say in here that: 23 "Working for 13-14 hours in Melbourne or Hong Kong 24 puts a major focus on the question of how drivers use 25 their remaining hours, whether they are getting</p>	<p>1 involved in this type of fatigue management training? 2 PROF JOHN STANLEY: Yes. The operators in Melbourne, when 3 they're training new drivers or when they're running 4 retraining programmes, refresher programmes, fatigue 5 management is an important component in that programme. 6 It is interesting, in our national legislation, that 7 is then adopted into Victorian law under an Act called 8 the Heavy Vehicle National Law Application Act, which 9 I talk about on pages 33 and 34 of the first report, 10 that legislation lists a whole bunch of signs of 11 fatigue. That's how seriously fatigue is taken in this 12 area in Victoria. 13 So if you go to page 34, you will see -- this is 14 a quote from the legislation that embeds the national 15 law in Victorian law -- it talks about: 16 "Signs of fatigue means that a person was or will be 17 fatigued when driving a fatigue-related heavy vehicle on 18 a road (whether the sign manifests itself before, during 19 or after the driver drove the vehicle)." 20 Then it gives a range of a dozen or so examples of 21 signs of fatigue. Those sorts of signs then would be 22 incorporated into that training programme, but a lot of 23 our operators will introduce dietitians, for example, 24 exercise people into their driver training courses, with 25 sitting on your backside for 10 or 11 hours a day</p>

Page 185	Page 187
<p>1 driving a bus is probably not great health-promoting</p> <p>2 exercise. So those sorts of things form a really</p> <p>3 important part of driver training, because of the nexus</p> <p>4 between understanding what causes fatigue and the risks</p> <p>5 of safety associated therewith.</p> <p>6 MR DEREK CHAN: I think your overall recommendation is that</p> <p>7 this sort of training should form part of the practice</p> <p>8 note that the Transport Department issued.</p> <p>9 PROF JOHN STANLEY: It is, Mr Chairman, I think the practice</p> <p>10 note is a really good idea in terms of raising the bar</p> <p>11 on a common base level of training. But I think it is</p> <p>12 important that fatigue forms part of that. In terms of</p> <p>13 application, I think I commented that the guidelines, if</p> <p>14 they are adhered to as they stand at the moment, if</p> <p>15 anything, marginally tighter than the comparable</p> <p>16 provisions in Melbourne. The main difference in fact is</p> <p>17 in terms of how they are applied in practice, where</p> <p>18 I talked earlier today on about 44/45 hours being our</p> <p>19 norm, but I understand that it's a much bigger number</p> <p>20 than that in Hong Kong, based on some of the evidence</p> <p>21 that I've seen presented to the committee before.</p> <p>22 CHAIRMAN: Yes, very significantly more than that.</p> <p>23 PROF JOHN STANLEY: Yes. So that would make the issue of</p> <p>24 fatigue management even more important here.</p> <p>25 CHAIRMAN: And that's missing from the practice note?</p>	<p>1 for me to follow up on two matters that Mr Chairman</p> <p>2 raised with me during the course of the questioning.</p> <p>3 CHAIRMAN: Yes.</p> <p>4 MR DEREK CHAN: The first relates to the requests that the</p> <p>5 Transport Department received --</p> <p>6 CHAIRMAN: Yes.</p> <p>7 MR DEREK CHAN: -- in respect of the seat belt installation.</p> <p>8 I think Mr Chairman remembers the passage but I will</p> <p>9 just give the chairman the page reference for that.</p> <p>10 That was mentioned during the 1st meeting of the working</p> <p>11 group which was held on 13 March 2018, and the page</p> <p>12 reference for that in our bundles is KMB-12/4869-1, at</p> <p>13 paragraph 16. I see it up on the screen now.</p> <p>14 At paragraph 16, Citybus was querying the</p> <p>15 practicality and raising the concern that standees could</p> <p>16 not be provided with seat belts. Then the passage goes</p> <p>17 on to record:</p> <p>18 "TD advised that there were requests for</p> <p>19 a comprehensive review on seat belts installation on bus</p> <p>20 after the traffic accidents."</p> <p>21 CHAIRMAN: Just a moment. Let me read that again.</p> <p>22 "... comprehensive review on seat belts installation</p> <p>23 on bus after the traffic accidents."</p> <p>24 MR DEREK CHAN: Yes. Mr Chairman, the date of this meeting</p> <p>25 was 13 March 2018, and there was actually a relevant</p>
Page 186	Page 188
<p>1 PROF JOHN STANLEY: (Nodded head).</p> <p>2 CHAIRMAN: Sorry, a nod doesn't go on the transcript. Do</p> <p>3 you agree?</p> <p>4 PROF JOHN STANLEY: I haven't seen the practice note yet.</p> <p>5 CHAIRMAN: Perhaps we can put it up, since we are on</p> <p>6 training.</p> <p>7 PROF JOHN STANLEY: Apologies. I have read that, Chair.</p> <p>8 CHAIRMAN: Do we have a reference for that in the bundles?</p> <p>9 MR DEREK CHAN: TD-1, page 470, is currently being shown on</p> <p>10 the screen. The contents of the practice note are at</p> <p>11 page 471.</p> <p>12 CHAIRMAN: Thank you.</p> <p>13 MR DEREK CHAN: Across the page at 472 as well, and I think</p> <p>14 the point simply is that there is no reference to any</p> <p>15 fatigue management training.</p> <p>16 CHAIRMAN: There is no specific reference to it, is there?</p> <p>17 PROF JOHN STANLEY: Chair, my suggestion was that it could</p> <p>18 be picked up under the occupational health and safety</p> <p>19 component of item (e), which is only 5 to 10 per cent,</p> <p>20 I think you would need to beef that up if you were going</p> <p>21 to do it that way, but it is part of occupational health</p> <p>22 and safety but it needs a specific focus.</p> <p>23 CHAIRMAN: Thank you.</p> <p>24 MR DEREK CHAN: Mr Chairman, those are the questions that</p> <p>25 I have arising from the professor's report. It remains</p>	<p>1 discussion on this in the LegCo Panel for Transport on</p> <p>2 15 February 2018, and with the assistance of the very</p> <p>3 helpful staff of the secretariat and Ms Wong, we have</p> <p>4 actually located the relevant LegCo meeting minutes that</p> <p>5 discuss this.</p> <p>6 CHAIRMAN: Yes.</p> <p>7 MR DEREK CHAN: I think that is now being shown on the</p> <p>8 screen.</p> <p>9 On the first page, we can see that it is the minutes</p> <p>10 of a special meeting of the Panel on Transport in LegCo,</p> <p>11 held on Thursday, 15 February 2018.</p> <p>12 Can I direct Mr Chairman's attention to page 19.</p> <p>13 CHAIRMAN: Yes.</p> <p>14 MR DEREK CHAN: If I just go back a page to 18, at the</p> <p>15 bottom of page 18, at paragraph 78, Mr Chairman can see</p> <p>16 the context in which this happened. So:</p> <p>17 "Mr Chan Hak Kan moved the following motion which</p> <p>18 was seconded."</p> <p>19 At page 19, you can see the motion being proposed:</p> <p>20 "This panel expresses deep sorrow and regret at the</p> <p>21 occurrence of a serious traffic accident on Tai Po Road</p> <p>22 on 10 February resulting in 19 fatalities and 66</p> <p>23 injuries and, in order to prevent the recurrence of such</p> <p>24 a tragedy, this panel urges the administration to:</p> <p>25 1. Request franchised bus companies to review the</p>

Page 189	Page 191
<p>1 staffing establishment of bus captains, provide 2 reasonable working hours, rest time, meal breaks and 3 remuneration packages for bus captains, and provide on 4 a compulsory basis regular training on a safe driving 5 attitude for full-time and part-time bus captains to 6 ensure that bus captains are equipped with the qualities 7 of a good driver." 8 So, Mr Chairman, that forms part of the working 9 group. 10 CHAIRMAN: Yes. 11 MR DEREK CHAN: "2. Apply anti-skid surface dressing, erect 12 additional deceleration warning signs and install speed 13 enforcement cameras on the subject road section 14 immediately, and review the 'high-risk' road sections 15 across the territory and expeditiously enhance the 16 relevant safety measures to safeguard the safety of road 17 users." 18 Thirdly -- 19 CHAIRMAN: Just a moment, please. So, in context, the 20 reference to "the subject road section" is to the 21 Tai Po Road, the scene of the accident? 22 MR DEREK CHAN: Yes, according to the date of the panel 23 meeting, that must be the case. 24 CHAIRMAN: Yes. 25 MR DEREK CHAN: And:</p>	<p>1 to discussions, papers -- 2 MR DEREK CHAN: Yes. 3 CHAIRMAN: -- where the Transport Department have considered 4 whether or not to require seat belts to be provided on 5 buses, but dismissed it. 6 MR DEREK CHAN: Yes, which also -- 7 CHAIRMAN: I think it might help if you were to tell 8 Prof Stanley about that, and perhaps you can also tell 9 us which jurisdictions they looked at when they decided 10 it wasn't a good idea. 11 This is a matter that was considered 15 years ago, 12 was it not? 13 MR DEREK CHAN: Yes. I think the point -- I'm not going to 14 go to the document but I think the point is they have 15 consistently looked at it and consistently decided that 16 it wasn't going to be very useful, having regard to the 17 experience in overseas jurisdictions. 18 CHAIRMAN: Yes. Perhaps you can turn up a couple of those 19 in that journey towards the conversion on the road to 20 Damascus, which happened in April this year. 21 MR DEREK CHAN: Can I refer the committee to bundle SEC-1. 22 Page 274 is where one paper starts. 23 CHAIRMAN: Whoever makes these lever-arch files has failed 24 to make one that doesn't break whenever it is 25 transferred to the auditorium.</p>
Page 190	Page 192
<p>1 "3. Explore ways to further strengthen the safety 2 installations on buses, including enhancing the 3 protection for high-risk seats, retrofitting seat belts 4 on more seats and making it compulsory in phases for 5 passengers to wear seat belts ..." 6 It goes on to talk about other devices. So that's 7 the context in which the seat belt request had been made 8 by the LegCo Panel. 9 Over the page at paragraph 79, you can see that the 10 motion was carried. 11 CHAIRMAN: Yes. 12 MR DEREK CHAN: I hope that answers at least part of 13 Mr Chairman's concern. We will probably raise it with 14 the Transport Department again. 15 CHAIRMAN: We will do, because they haven't told us what it 16 was, but this appears a logical explanation. 17 MR DEREK CHAN: Possibly, yes. 18 CHAIRMAN: But this refers to one accident. They refer in 19 the plural to "accidents". 20 MR DEREK CHAN: Yes. We have in the bundle documents dating 21 back to 2003 and 2006 in which this issue had been 22 raised, but perhaps it is more properly an issue that we 23 can take up with the Transport Department when they come 24 back. 25 CHAIRMAN: Well, I think it's a matter -- you are referring</p>	<p>1 MR DEREK CHAN: Yes. Does Mr Chairman have the document at 2 page 274? 3 CHAIRMAN: Thank you. I do. 4 MR DEREK CHAN: The date of this document is January 2007. 5 You can find the reference to the date at page 280. 6 CHAIRMAN: And what is it? 7 MR DEREK CHAN: It is a briefing paper prepared by the 8 Transport Department. 9 CHAIRMAN: "Environment, Transport and Works Bureau", of the 10 Transport Department? 11 MR DEREK CHAN: Yes. And the purpose would be for a LegCo 12 Panel on Transport meeting. It's a progress report on 13 measures to enhance safety of the franchised bus 14 operation. 15 CHAIRMAN: Thank you. 16 MR DEREK CHAN: Mr Chairman, you can see at page 274, 17 paragraph 3, the immediate reference to retrofitting 18 seat belts on franchised buses. And the reference to 19 overseas data, we can find that at paragraph 4 on 20 page 275: 21 "We have collected information from other countries 22 on the requirements of fitting and fastening of seat 23 belts on buses. So far, we have not found any country 24 that have legal requirements for the provision of seat 25 belts on passenger seats of buses designed for urban use</p>

Page 193	Page 195
<p>1 and are allowed to carry standing passengers. According</p> <p>2 to the transport authorities of these countries, the</p> <p>3 benefit of imposing a seat belt requirement in their</p> <p>4 buses is uncertain. A summary of the findings is at</p> <p>5 annex I."</p> <p>6 And annex I can be found at page 281.</p> <p>7 CHAIRMAN: Yes.</p> <p>8 MR DEREK CHAN: So that's January 2007.</p> <p>9 CHAIRMAN: So the jurisdictions concerned are the</p> <p>10 United States of America, Canada, the United Kingdom,</p> <p>11 the state of Victoria in Australia, New Zealand,</p> <p>12 Netherlands and Singapore?</p> <p>13 MR DEREK CHAN: Yes. And we have seen references to those</p> <p>14 similar countries in the 2018 briefing paper to the</p> <p>15 LegCo Panel on Transport as well, which we have already</p> <p>16 looked at today.</p> <p>17 CHAIRMAN: This paper appears to be a response -- I'm</p> <p>18 looking at page 274 -- to an earlier discussion in the</p> <p>19 LegCo Panel on Transport in 2006.</p> <p>20 MR DEREK CHAN: Yes. That can be found just before this</p> <p>21 document. The 2006 document starts at page 266.</p> <p>22 CHAIRMAN: Was it couched in a similar way to the note that</p> <p>23 we just looked at in February or March of this year,</p> <p>24 a request that there be a comprehensive review; is that</p> <p>25 the same language?</p>	<p>1 Again, the same reference to no overseas</p> <p>2 jurisdiction having this requirement.</p> <p>3 CHAIRMAN: Yes. Thank you. So that's 2006, 2007.</p> <p>4 MR DEREK CHAN: Yes, and we can't find anything between 2007</p> <p>5 and 2018, when the issue raised its head again at the</p> <p>6 moment.</p> <p>7 CHAIRMAN: Yes. Thank you.</p> <p>8 MR DEREK CHAN: The second issue that Mr Chairman raised</p> <p>9 with me is the request --</p> <p>10 CHAIRMAN: Perhaps having taken Prof Stanley through this</p> <p>11 material -- this obviously is a matter for the Transport</p> <p>12 Department to help us with -- on its face, it looks as</p> <p>13 though this review has been conducted in the past and</p> <p>14 it's been decided by reference to other jurisdictions,</p> <p>15 including Victoria, that it's not necessary for</p> <p>16 Hong Kong.</p> <p>17 Is there any general reason -- you perhaps wouldn't</p> <p>18 know any specific reason in Hong Kong -- but any general</p> <p>19 reason that you can see for this I called it the</p> <p>20 conversion on the road to Damascus moment?</p> <p>21 PROF JOHN STANLEY: I think the findings from places like</p> <p>22 Australia -- and we were involved in some of these</p> <p>23 exercises when I was with the National Road Transport</p> <p>24 Commission back in the 1990s -- the major benefit from</p> <p>25 buses in terms of collision comes from the mass of the</p>
Page 194	Page 196
<p>1 MR DEREK CHAN: Yes, very much the same language.</p> <p>2 CHAIRMAN: Perhaps you can read that out, at 266.</p> <p>3 MR DEREK CHAN: 266 is the start of the document.</p> <p>4 CHAIRMAN: Yes.</p> <p>5 MR DEREK CHAN: The relevant part the document, which is the</p> <p>6 one dated October 2016, is at paragraph 19.</p> <p>7 If I can just read a little bit at the end of</p> <p>8 paragraph 18.</p> <p>9 CHAIRMAN: Yes.</p> <p>10 MR DEREK CHAN: Because it has the phrase "traffic</p> <p>11 accidents", which Mr Chairman picked up on, in the</p> <p>12 minutes. I'm reading from the bottom half of</p> <p>13 paragraph 18 on page 271:</p> <p>14 "In the light of recent traffic accidents, TD has</p> <p>15 been reviewing with the franchised bus operators on</p> <p>16 retrofitting of seat belts on the existing buses, taking</p> <p>17 into account of the technical difficulties such as the</p> <p>18 structural strength of the seats, adequate anchorage</p> <p>19 points and design of the bus, et cetera."</p> <p>20 So we have the same process repeating itself.</p> <p>21 Paragraph 19:</p> <p>22 "We have conducted a research on overseas practices</p> <p>23 regarding the fitting and wearing of seat belts in</p> <p>24 buses. A summary of the corresponding seat belt</p> <p>25 requirements is at annex."</p>	<p>1 vehicle, not from seat belts, and the question then</p> <p>2 becomes what marginal value on top of that does a seat</p> <p>3 belt generate for you?</p> <p>4 Certainly, at the time this paper was written, that</p> <p>5 would very much have been the result of cost/benefit</p> <p>6 analyses, if you had done them on this circumstance.</p> <p>7 Why might it be different now in Hong Kong? I think</p> <p>8 it probably goes to the question of people seated</p> <p>9 upstairs -- is there a possibility that the probability</p> <p>10 of an accident is much higher in that circumstance?</p> <p>11 I don't know the answer to that. But that's what</p> <p>12 I would be looking for. Is there a higher risk, for</p> <p>13 example, of injury associated with travelling in the</p> <p>14 upper deck of a double-decker bus than there might be on</p> <p>15 a single-level platform vehicle like we have in</p> <p>16 Melbourne that might justify the use of seat belts</p> <p>17 upstairs, so to speak? I don't think downstairs would</p> <p>18 be much different to our buses.</p> <p>19 CHAIRMAN: But, to come back to the way you have analysed</p> <p>20 things, one would need empirical data to make this</p> <p>21 judgment, what is the accident data, how many people are</p> <p>22 thrown out of the bus, how many buses fall over --</p> <p>23 PROF JOHN STANLEY: Exactly, Chair. It's exactly the kind</p> <p>24 of analysis that should be done to resolve these kinds</p> <p>25 of questions.</p>

Page 197	Page 199
<p>1 CHAIRMAN: Yes. Thank you. 2 Mr Chan, you were moving to your last point, 3 I think. 4 MR DEREK CHAN: Yes, and I think Mr Chairman raised with me 5 that in the 2018 letter from the Transport Department -- 6 CHAIRMAN: Yes. 7 MR DEREK CHAN: -- they noted increase in certain things and 8 asked KMB to -- 9 CHAIRMAN: Yes, increased accident rate, broadly speaking. 10 MR DEREK CHAN: If I can go quickly to that document. TD-5, 11 page 1729, just to see the context of it again. 12 CHAIRMAN: So this is the letter from the Transport 13 Department in advance of the annual update of the 14 five-year forward planning, spelling out what it is that 15 they want the company, KMB, to address, and stipulating 16 the increased accident rate, using that term broadly. 17 MR DEREK CHAN: That's correct. The request is at the 18 bottom of page 1729. Again, if I can just read it out: 19 "Your company is required to: 20 (a) conduct an analysis on the traffic accidents 21 involving KMB in 2017, in conjunction with the situation 22 in 2015 and 2016 ... The analysis should include the 23 trend, the nature and causes of the accidents, as well 24 as the reasons for the increases." 25 The answer we can find at KMB-12, starting at</p>	<p>1 paragraph 8.2.7.5. Again, if I could just read it out: 2 "Illegal parking at bus stops is one of the cause of 3 improper stopping of buses, by which road users' safety 4 will be jeopardised as passengers have to board and 5 alight on the roadway instead of using the bus stop. 6 [They] increased the chance of traffic accidents. Buses 7 and other vehicles overtaking illegally parked vehicles 8 pose safety concerns for boarding and alighting 9 passengers, as well as other road users." 10 So again other contributory factors are highlighted. 11 Perhaps just one reference for Mr Chairman and the 12 committee's reference. At 5031, again we find something 13 similar. At 5031, again we have an analysis of 14 "Accidents by district", and at paragraph 8.2.9.3, which 15 is at the bottom of that page, you see KMB saying: 16 "Traffic congestion is one of the causes of the high 17 percentage of accidents noted in the busy districts. 18 The company recommends that proactive measures should be 19 taken to resolve the congestion problem. We will 20 discuss with the government." 21 And over the page, they talk about bus priority as 22 a possible counter to that problem. So, again, it talks 23 about other contributory factors to the accident rate. 24 CHAIRMAN: Not entirely clear how traffic congestion causes 25 accidents. It may cause drivers to drive badly and</p>
Page 198	Page 200
<p>1 page 5011. That's the start of the most up-to-date bus 2 safety section. 3 Can I just remark, Mr Chairman, that there is no one 4 easy place where you can find the reasons for the 5 increase. What we see is -- 6 CHAIRMAN: It's not addressed specifically; is that what you 7 mean? 8 MR DEREK CHAN: Not directly. It's a similar format in that 9 they analyse the accidents by route, by bus type, by 10 hours and all that. But there are a couple of passages 11 which Mr Chairman may find relevant. 12 For example, at 5025, the analysis here is 13 "Accidents by type", and at 8.2.6.7, which is over the 14 page at 5026, you can see: 15 "Driving attitude of other road users is one of the 16 key in preventing accidents not blameworthy to bus 17 captains." 18 So that seems to attribute part of it to driving 19 attitudes of other people. 20 CHAIRMAN: Yes. I see your point. 21 MR DEREK CHAN: Then, in a similar vein -- 22 CHAIRMAN: Just a moment, please. So, "It's not our fault; 23 it's other drivers", is that what it comes to? 24 MR DEREK CHAN: Yes. We also see other references in 25 a similar vein, for example at 5028, which is</p>	<p>1 gives them more vehicles to hit. Is that perhaps what 2 is meant? 3 MR DEREK CHAN: Perhaps other vehicles hitting them is 4 probably what they are trying to say. 5 CHAIRMAN: Yes. 6 MR DEREK CHAN: Mr Chairman, I hope that assists the 7 committee. 8 CHAIRMAN: Yes. 9 You haven't seen this data before, have you, 10 Professor? 11 PROF JOHN STANLEY: No, Chair, but in terms of traffic 12 congestion being associated with accidents, I think 13 there are a number of studies that show one of the 14 correlations between accidents is with traffic volume. 15 CHAIRMAN: Yes. 16 PROF JOHN STANLEY: So the higher the volume you have, the 17 more accidents you are going to have, and congestion is 18 an example of that. 19 CHAIRMAN: There are more targets to hit, aren't there? 20 PROF JOHN STANLEY: Indeed, and closer together, so your 21 chances -- 22 CHAIRMAN: The more you have to be aware, if you've got 23 people on the inside, outside, front. So to that extent 24 traffic congestion has a correlation to accident 25 increase; is that the point?</p>

Page 201	Page 203
<p>1 PROF JOHN STANLEY: Yes.</p> <p>2 CHAIRMAN: Thank you for that.</p> <p>3 I suppose the first point, driver attitude of other</p> <p>4 drivers, speaks for itself. If other drivers are the</p> <p>5 ones causing the accidents, then that's why there are</p> <p>6 more accidents.</p> <p>7 Is there no figure that breaks down their</p> <p>8 assessment, KMB's assessment, of who was responsible for</p> <p>9 the accidents?</p> <p>10 I think in Hong Kong what we have learnt is, at</p> <p>11 least with KMB, that this kind of assessment of the</p> <p>12 accidents, I think I am right in saying, began with the</p> <p>13 insurance department, and of course they attribute</p> <p>14 culpability as, "Is this one we are liable for; is this</p> <p>15 one where we are not?" I think this has been the</p> <p>16 approach.</p> <p>17 MR DEREK CHAN: At page 5020 we have a section on "Accidents</p> <p>18 by cause", and the table is an analysis of the accidents</p> <p>19 caused by bus captains' blameworthy factors.</p> <p>20 PROF JOHN STANLEY: Chairman, the most frequent one in that</p> <p>21 table is traffic congestion, "Failing to keep safe</p> <p>22 distance from front vehicle".</p> <p>23 CHAIRMAN: Yes. You can do that when there is no</p> <p>24 congestion, though, can't you?</p> <p>25 PROF JOHN STANLEY: It's a bit harder.</p>	<p>1 mentioned on their buses in Melbourne and in Singapore,</p> <p>2 and they are really consciously looking out for ways in</p> <p>3 which they can improve safety and their attitude is very</p> <p>4 much, "If it's not good enough for our own family, then</p> <p>5 it's not good enough for our business". So they judge</p> <p>6 safety decisions on that basis.</p> <p>7 So it's both. It's the operator sometimes, more for</p> <p>8 retrofitting or after-market solutions. But it's the</p> <p>9 manufacturers in terms of what's embedded in new</p> <p>10 vehicles.</p> <p>11 MEMBER LO: Even though there's no explicit safety-related</p> <p>12 KPIs in their system, they do it voluntarily?</p> <p>13 PROF JOHN STANLEY: Yes.</p> <p>14 CHAIRMAN: But presumably in that calculation -- and this is</p> <p>15 a matter I suggested earlier on -- there is a cost to</p> <p>16 bus operators having accidents, is there not? The bus</p> <p>17 is out of operation, they may be left out of pocket from</p> <p>18 the damages, never mind the loss of use of the vehicle,</p> <p>19 and so on?</p> <p>20 PROF JOHN STANLEY: Certainly. In terms of fitting of</p> <p>21 after-market equipment, that's certainly true. I think</p> <p>22 it's about the safety of their customers, but it's also</p> <p>23 about business costs and part of the same process, and</p> <p>24 I think one of the benefits of that technology like the</p> <p>25 Mobileye technology is it's -- I think the cost in</p>
Page 202	Page 204
<p>1 CHAIRMAN: I have looked at a Mobileye 6 collision, in fact</p> <p>2 of course being an advert for the product collision was</p> <p>3 avoided, but there is not much traffic around and the</p> <p>4 danger is still there.</p> <p>5 PROF JOHN STANLEY: Indeed.</p> <p>6 MR DEREK CHAN: Unless there is anything else I can assist</p> <p>7 the committee with --</p> <p>8 CHAIRMAN: No. Thank you for that endeavour.</p> <p>9 MEMBER LO: I just have two questions. Thank you for all</p> <p>10 the information.</p> <p>11 One question regarding the -- given all the context</p> <p>12 in Melbourne, perhaps we can learn something in</p> <p>13 Hong Kong. Who are the main drivers of new initiatives,</p> <p>14 technologies or otherwise, that would have</p> <p>15 an implication for bus safety? Are they operators,</p> <p>16 government committee, or who are the people driving?</p> <p>17 PROF JOHN STANLEY: I would say that comes from two sources.</p> <p>18 One is from the vehicle manufacturers, companies like</p> <p>19 Volvo, Scania, Mercedes. I think they are very</p> <p>20 conscious of trying to get an edge in the safety space</p> <p>21 at the moment, and really looking for that.</p> <p>22 The other then is particular operators, and I quote</p> <p>23 the example in my report of ComfortDelGro, who is a</p> <p>24 Singaporean operator who operates in Melbourne, who have</p> <p>25 installed the Mobileye technology, Chair, you just</p>	<p>1 Melbourne is something like A\$1,500 per vehicle to</p> <p>2 install that equipment, and you would think that's</p> <p>3 a pretty good investment in terms of --</p> <p>4 CHAIRMAN: Yes, because that would easily be exceeded by the</p> <p>5 cost of an accident, and damages you have to pay for the</p> <p>6 person injured --</p> <p>7 PROF JOHN STANLEY: Indeed.</p> <p>8 CHAIRMAN: -- damages to the vehicle, loss of the use of the</p> <p>9 vehicle.</p> <p>10 PROF JOHN STANLEY: Indeed, and my view is you will see that</p> <p>11 being built into the new vehicle, it's starting to</p> <p>12 already, because it is such a sensible thing to do.</p> <p>13 CHAIRMAN: Yes.</p> <p>14 MEMBER LO: The other question I have is given a public</p> <p>15 entity like Transport Safety Victoria, how would we</p> <p>16 ensure that it will perform its best and it's not just</p> <p>17 another bureaucracy that looks at numbers? Are there</p> <p>18 targets given to them to achieve, or is there any</p> <p>19 incentive or motivation for them to do their best?</p> <p>20 PROF JOHN STANLEY: I don't know whether there are any</p> <p>21 targets that have been set to them. I will have a look</p> <p>22 at that and come back to you on that, Professor. But</p> <p>23 rest assured that because they are regulating bus</p> <p>24 operators, the bus operators will be doing all they can</p> <p>25 to make sure that the Transport Safety Director is</p>

Page 205	Page 207
<p>1 performing the task in a vigilant way and not becoming</p> <p>2 just another bureaucracy.</p> <p>3 So I think there's accountability in the sense to</p> <p>4 the customer, and the customer will be doing all that</p> <p>5 they can do to make sure that the authority is genuinely</p> <p>6 serving the role that it's supposed to be serving.</p> <p>7 At the moment, there is a very good relationship</p> <p>8 between the Transport Safety Director and the operators,</p> <p>9 because I think they both understand that their interest</p> <p>10 is in trying to build a stronger safety risk management</p> <p>11 culture and that they can do that better together. But</p> <p>12 as for specific KPIs on the organisation, I will speak</p> <p>13 to the director when I get back to Melbourne, provided</p> <p>14 the storm lets us out, and come back to you on that one.</p> <p>15 MEMBER LO: Sure. Thank you.</p> <p>16 CHAIRMAN: Mr Chan, is there anything arising from those</p> <p>17 questions?</p> <p>18 MR DEREK CHAN: Not from me, Mr Chairman.</p> <p>19 CHAIRMAN: In which case, Professor, although we have gone</p> <p>20 slightly over time, the estimate has been rather</p> <p>21 accurate as to the time we required.</p> <p>22 It remains for us to thank you very much for the</p> <p>23 assistance you have given us, in particular in this oral</p> <p>24 session where, having had the benefit of your report, we</p> <p>25 have been able to establish what, to our mind, are the</p>	<p>1 INDEX</p> <p>2 PAGE</p> <p>3 EXPERT EVIDENCE OF PROF JOHN STANLEY1</p> <p>4 Examination by MR DEREK CHAN1</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
Page 206	
<p>1 matters that are particularly relevant, having regard to</p> <p>2 the evidence that we have received, to Hong Kong, and</p> <p>3 that's been of considerable assistance, and we look</p> <p>4 forward to receiving whatever else it is that you might</p> <p>5 feel is appropriate for us to receive.</p> <p>6 With those words, we thank you for your assistance</p> <p>7 and wish you a safe travel home.</p> <p>8 MR DEREK CHAN: Thank you, Chair and members.</p> <p>9 CHAIRMAN: Whenever that might be.</p> <p>10 PROF JOHN STANLEY: Thank you very much.</p> <p>11 CHAIRMAN: Thank you.</p> <p>12 (5.38 pm)</p> <p>13 (The hearing adjourned to a date to be fixed)</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	